PUBLIC ACCOUNTS

1998-1999

Volume 1

CONSOLIDATED FINANCIAL STATEMENTS OF THE GOUVERNEMENT DU QUÉBEC

Fiscal year ended
March 31, 1999

Québec

103-02522/

PUBLIC ACCOUNTS

1998-1999

Published in accordance with
section 71 of the Financial
Administration Act (R.S.Q., c. A-6)

Volume 1

CONSOLIDATED FINANCIAL STATEMENTS OF THE GOUVERNEMENT DU QUÉBEC

Fiscal year ended March 31, 1999

Québec
Ministère des
Finances

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To the Honourable Lise Thibault
Lieutenant-Governor
Parliament Building
Québec

Dear Madam,

The undersigned has the honour of presenting to Your Excellency the Public Accounts of the Gouvernement du Québec for the fiscal year ended March 31, 1999.

Bernard Landry
Deputy Prime Minister and Minister of
State for the Economy and Finance

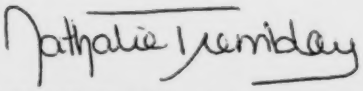
Québec, March 2000

To the Deputy Prime Minister and Minister
of State for the Economy and Finance
Mr. Bernard Landry
Parliament Building
Québec

Dear Sir,

In accordance with the commission entrusted to me, I have the honour of presenting the Public Accounts of the Gouvernement du Québec for the fiscal year ended March 31, 1999. These accounts have been prepared under Division VIII of the Financial Administration Act (R.S.Q., c. A-6).

Respectfully yours,



Nathalie Tremblay, C.A.
Comptroller of Finance

Québec, March 2000

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INTRODUCTION

Each year the Ministère des Finances publishes documents on the financial position of the Gouvernement du Québec and the results of its financial transactions.

The *Quarterly Presentation of Financial Transactions* was published at the close of the second and third quarters of 1998 to account for changes in the financial transactions and facilitate comparison with the projections contained in the *1998-1999 Budget Speech* of March 31, 1998.

The 1998-1999 Public Accounts complete the information relating to the actual results for fiscal 1998-1999, whose main data formed part of the first Quarterly Presentation for 1999-2000.

The Public Accounts for the fiscal year ended March 31, 1999 have been prepared by the Ministère des Finances in accordance with the accounting policies established by the Conseil du trésor and pursuant to the provisions of Division VIII of the Financial Administration Act (R.S.Q., c. A-6). They are published in two volumes entitled: "*Consolidated Financial Statements of the Gouvernement du Québec*" and "*Revenue, Appropriations and Expenditure of the Consolidated Revenue Fund of the Gouvernement du Québec*"

VOLUME 1 – CONSOLIDATED FINANCIAL STATEMENTS OF THE GOUVERNEMENT DU QUÉBEC

Volume 1 presents summary data on the consolidated financial transactions, the report of the impact of changes in accounting policies in relation to the accounting policies in force for fiscal 1996-1997 on the Government's financial results, and the consolidated financial statements of the Gouvernement du Québec for the fiscal year ended March 31, 1999, accompanied by the Auditor General's report.

VOLUME 2 – REVENUE, APPROPRIATIONS AND EXPENDITURE OF THE CONSOLIDATED REVENUE FUND OF THE GOUVERNEMENT DU QUÉBEC

Volume 2, which is published in three sections, presents the operations of entities whose revenue is credited to the Consolidated Revenue Fund or the Health Services Fund and of those whose operations are provided for by Parliamentary allocations from these funds. These entities consist of Government departments, agencies and other portfolios, and of the National Assembly and the persons it designates.

SUMMARY

OF CONSOLIDATED

FINANCIAL TRANSACTIONS

CONSOLIDATED SUMMARY OF OPERATIONS

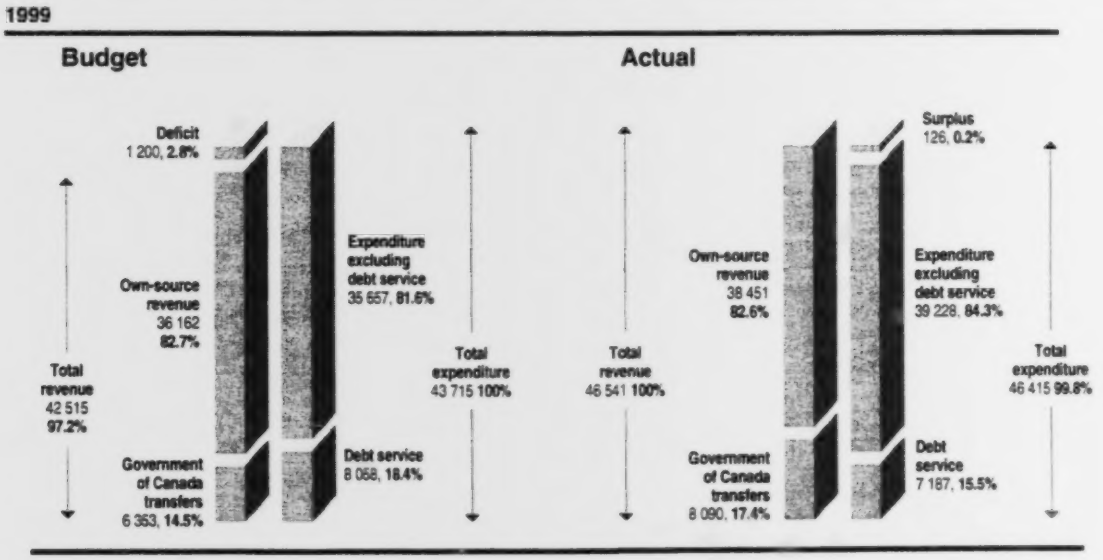
FISCAL YEAR ENDED MARCH 31, 1999

(in millions of dollars)

	1999		1998 [1]
	Budget*	**Actual results**	**Actual results**
Own-source revenue	36 162	38 451	35 684
Government of Canada transfers	6 353	8 090	5 989
Total revenue	**42 515**	**46 541**	**41 673**
Expenditure (excluding debt service)	35 657	39 228	36 487
Debt service	8 058	7 187	7 343
Total expenditure	**43 715**	**46 415**	**43 830**
Surplus (deficit)	**(1 200)**	**126**	**(2 157)**

* These data were established on the basis of the revenue forecasts announced in the 1998-1999 Budget Speech of March 31, 1998 and the expenditure forecasts presented in the 1998-1999 Estimates, adjusted according to the measures announced in the 1998-1999 Budget Speech.

(1) Owing to changes in the recording of foreign exchange forward contracts ($25 million) and fixed assets ($10 million), certain 1998 figures were reclassified for consistency with the presentation adopted in 1999 and were adjusted downward by $35 million.



The results of the Government's financial transactions for the fiscal year ended March 31, 1999 show that the Government's commitment to eliminate the deficit was met in 1998-1999, one year earlier than forecast in the Act respecting the elimination of the deficit and a balanced budget (R.S.Q., c. E-4.01). Compared with the figure announced in the 1998-1999 Budget Speech of March 31, 1998, the reduction amounted to $1 326 million.

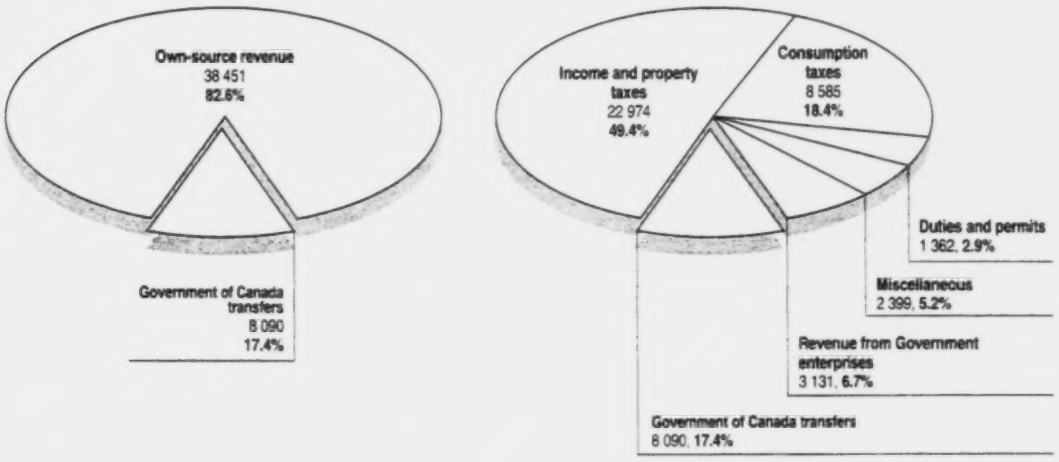
The increase in own-source revenue and Government of Canada transfers engendered surpluses compared with the forecast in the 1998-1999 Budget Speech and made it possible to eliminate the budgetary deficit in 1998-1999. This also made it possible to invest additional sums for implementing financial restructuring measures in institutions within the health and social services network, for improving the financial position of universities and for fostering job creation and innovation by placing more emphasis on research, science and technology.

CONSOLIDATED REVENUE

FISCAL YEAR ENDED MARCH 31, 1999
(in millions of dollars)

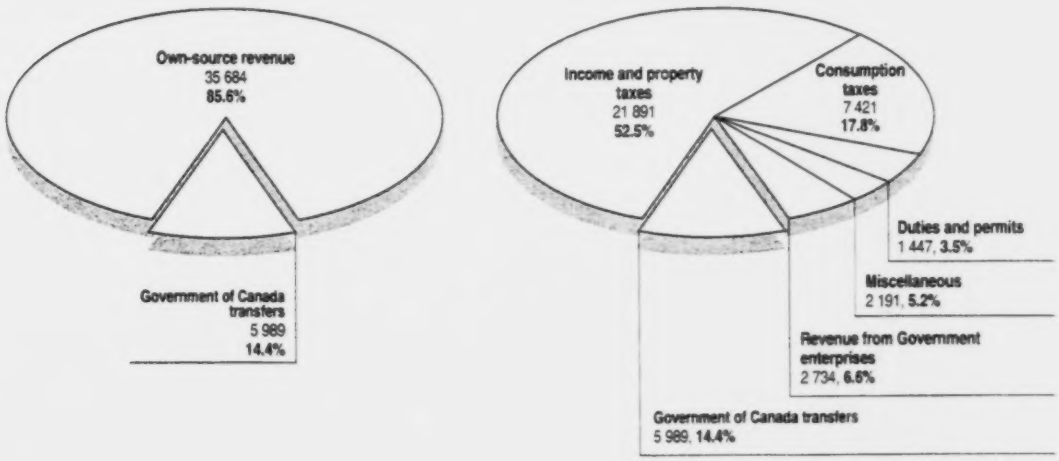
1999

Total revenue: 46 541



1998 [1]

Total revenue: 41 673



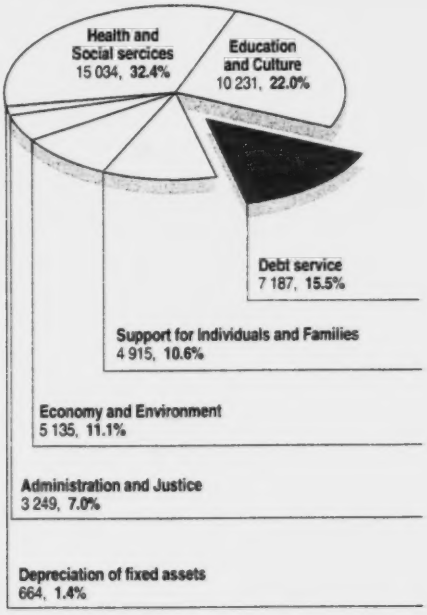
[1] Certain 1998 figures were reclassified for consistency with the presentation adopted in 1999.

CONSOLIDATED EXPENDITURE

FISCAL YEAR ENDED MARCH 31, 1999
(in millions of dollars)

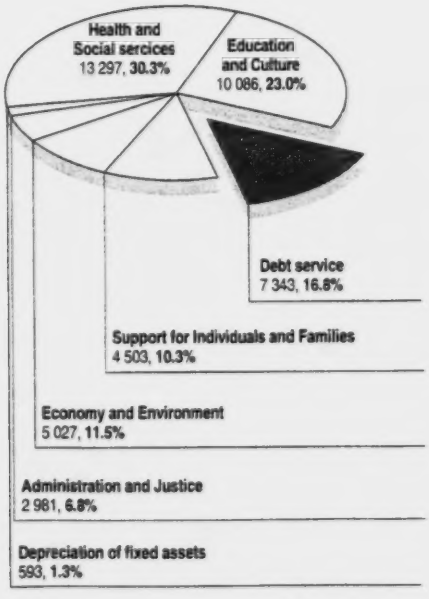
1999

Total expenditure: 46 415
By mission


Health and Social sercices 15 034, 32.4%
Education and Culture 10 231, 22.0%
Debt service 7 187, 15.5%
Support for Individuals and Families 4 915, 10.6%
Economy and Environment 5 135, 11.1%
Administration and Justice 3 249, 7.0%
Depreciation of fixed assets 664, 1.4%

1998 [1]

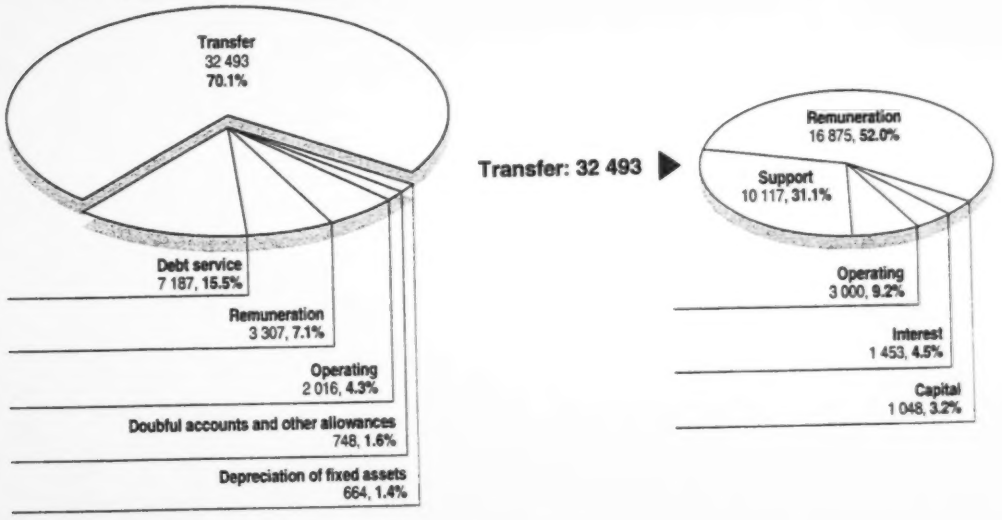
Total expenditure: 43 830
By mission


Health and Social sercices 13 297, 30.3%
Education and Culture 10 086, 23.0%
Debt service 7 343, 16.8%
Support for Individuals and Families 4 503, 10.3%
Economy and Environment 5 027, 11.5%
Administration and Justice 2 981, 6.8%
Depreciation of fixed assets 593, 1.3%

(1) Owing to changes in the recording of foreign exchange forward contracts ($25 million) and fixed assets ($10 million), certain 1998 figures were reclassified for consistency with the presentation adopted in 1999 and were adjusted downward by $35 million.

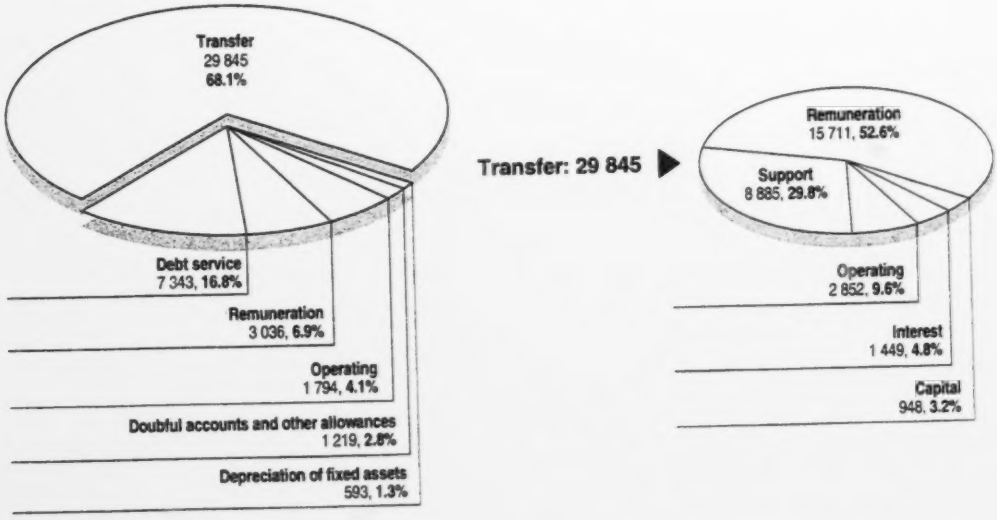
1999

By supercategory and category



1998 [1]

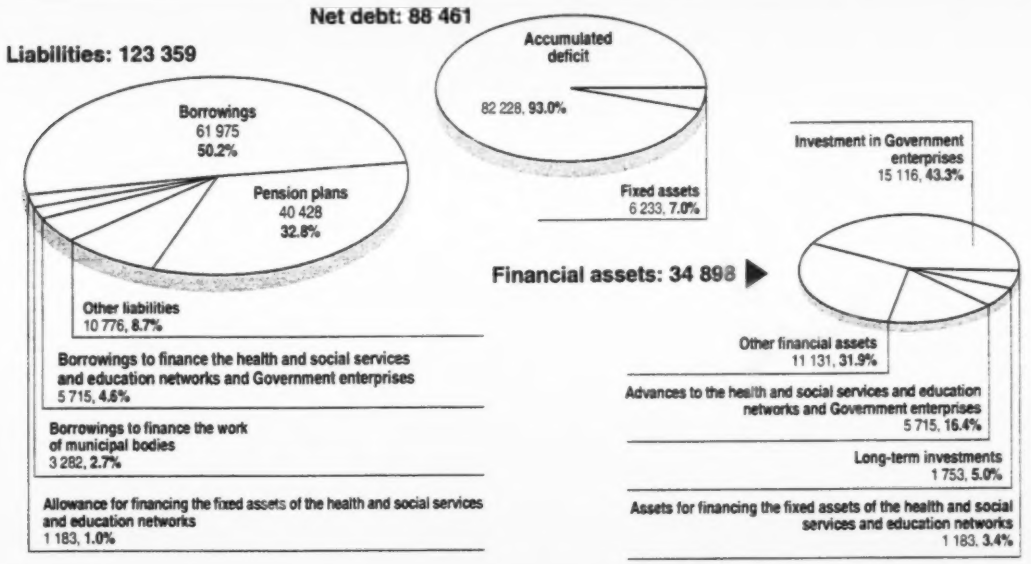
By supercategory and category



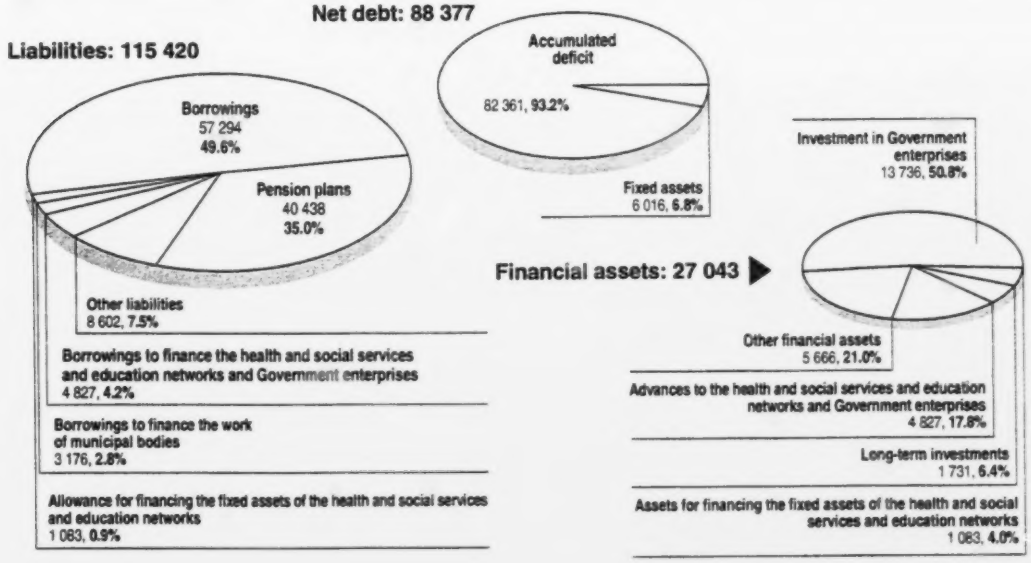
(1) Owing to changes in the recording of foreign exchange forward contracts ($25 million) and fixed assets ($10 million), certain 1998 figures were reclassified for consistency with the presentation adopted in 1999 and were adjusted downward by $35 million.

CONSOLIDATED FINANCIAL POSITION
AS AT MARCH 31, 1999
(in millions of dollars)

1999


Net debt: 88 461
Liabilities: 123 359
Borrowings
61 975
50.2%
Pension plans
40 428
32.8%
Other liabilities
10 776, 8.7%
Borrowings to finance the health and social services and education networks and Government enterprises
5 715, 4.6%
Borrowings to finance the work of municipal bodies
3 282, 2.7%
Allowance for financing the fixed assets of the health and social services and education networks
1 183, 1.0%
Accumulated deficit
82 228, 93.0%
Fixed assets
6 233, 7.0%
Financial assets: 34 898
Investment in Government enterprises
15 116, 43.3%
Other financial assets
11 131, 31.9%
Advances to the health and social services and education networks and Government enterprises
5 715, 16.4%
Long-term investments
1 753, 5.0%
Assets for financing the fixed assets of the health and social services and education networks
1 183, 3.4%

1998 [1]


Net debt: 88 377
Liabilities: 115 420
Borrowings
57 294
49.6%
Pension plans
40 438
35.0%
Other liabilities
8 602, 7.5%
Borrowings to finance the health and social services and education networks and Government enterprises
4 827, 4.2%
Borrowings to finance the work of municipal bodies
3 176, 2.8%
Allowance for financing the fixed assets of the health and social services and education networks
1 083, 0.9%
Accumulated deficit
82 361, 93.2%
Fixed assets
6 016, 6.8%
Financial assets: 27 043
Investment in Government enterprises
13 736, 50.8%
Other financial assets
5 666, 21.0%
Advances to the health and social services and education networks and Government enterprises
4 827, 17.8%
Long-term investments
1 731, 6.4%
Assets for financing the fixed assets of the health and social services and education networks
1 083, 4.0%

[1] Certain 1998 figures were adjusted owing to changes in the recording of foreign exchange forward contracts and fixed assets.

REPORT OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES IN RELATION TO THE ACCOUNTING POLICIES IN FORCE FOR FISCAL 1996-1997 ON THE GOVERNMENT'S FINANCIAL RESULTS

To the National Assembly,

Under section 15 of the Act respecting the elimination of the deficit and a balanced budget (L.R.Q., c. E-4.01), the Minister of Finance must report annually to the National Assembly on the impact which any changes in accounting policies in relation to the accounting policies in force for fiscal 1996-1997 have upon on the Government's financial results.

The impact of the various changes in accounting policies on the Government's financial results increased (decreased) the surplus as follows:

	(in millions of dollars)
a) Recording of unrecorded pension plan obligations[1]	(165)
b) Consolidation of Government enterprises, agencies and special funds	583
c) Change in the method for recording borrowings	118
d) Recording of public sector restructuring measures	73
e) Recording of fixed assets	(303)

(1) Excluding the impact of the new actuarial valuation produced in December 1998, which increased the surplus by $772 million.

Nathalie Tremblay, C.A.
Comptroller of Finance

Gilles Godbout
Deputy Minister of Finance

Québec, December 17, 1999

RECONCILIATION OF REVENUE, EXPENDITURE AND SURPLUS (DEFICIT)

FISCAL YEAR ENDED MARCH 31, 1999

(in millions of dollars)

	1999	1998
		(adjusted)
REVENUE		
Consolidated Revenue Fund excluding Government enterprises	41 471	37 229
Government enterprises	3 131	2 734
Government agencies and special funds	10 228	8 924
	54 830	**48 887**
EXPENDITURE		
Consolidated Revenue Fund	44 433	42 158
Government agencies and special funds	10 271	8 886
	54 704	**51 044**
ELIMINATION OF INTER-ENTITY TRANSACTIONS		
Revenue	(8 289)	(7 214)
Expenditure	(8 289)	(7 214)
SURPLUS (DEFICIT)	**126**	**(2 157)**

XXI

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FINANCIAL STATISTICS

FISCAL YEAR ENDED MARCH 31, 1999
(in millions of dollars)

Fiscal year	Revenue*	Expenditure*	(Deficit) or surplus	Net debt [1]	
1998-1999	46 541	46 415	126	88 461	(18)
1997-1998	41 673	43 830	(2 157)	88 377	(17)
1996-1997	37 788	41 000	(3 212)	64 833	(16)
1995-1996	38 682	42 629	(3 947)	61 624	
1994-1995	36 863	42 684	(5 821)	57 677	(15)
1993-1994	36 487	41 410	(4 923)	51 837	
1992-1993	35 843	40 873	(5 030)	46 914	(14)
1991-1992	34 881	39 182	(4 301)	41 885	(13)
1990-1991	33 422	36 397	(2 975)	37 558	
1989-1990	31 370	33 134	(1 764)	34 583	
1988-1989	29 997	31 701	(1 704)	32 819	
1987-1988	28 328	30 724	(2 396)	31 115	(4-10)
1986-1987	25 582	28 554	(2 972)	28 716	(4,11,12)
1985-1986	24 177	27 650	(3 473)	25 735	(4,9,10)
1984-1985	22 294	26 167	(3 873)	21 455	(4,8,9)
1983-1984	21 852	24 016	(2 164)	17 298	(4,7)
1982-1983	19 772	22 235	(2 463)	15 038	(4)
1981-1982	17 893	20 514	(2 621)	12 569	(4,6)
1980-1981	14 621	18 102	(3 481)	14 326	(4)
1979-1980	13 187	15 587	(2 400)	10 836	(4)
1978-1979	11 767	13 265	(1 498)	8 460	(4,5)
1977-1978	11 066	11 770	(704)	7 058	(4)
1976-1977	9 624	10 800	(1 176)	6 353	(3)
1975-1976	8 310	9 261	(951)	5 044	
1974-1975	7 218	7 660	(442)	4 093	
1973-1974	5 732	6 391	(659)	3 651	
1972-1973	5 005	5 352	(347)	2 992	
1971-1972	4 477	4 832	(355)	2 645	
1970-1971	3 842	3 987	(145)	2 290	(2, 2a)
1965-1966	1 736	1 999	(263)	1 398	
1960-1961	751	855	(104)	374	
1955-1956	462	442	(20)	275	

* Certain 1997-1998 figures were reclassified and restated for consistency with the presentation adopted in 1998-1999. The comparative figures for fiscal 1996-1997 and previous years for the Consolidated Revenue Fund and the Health Services Fund were restated to reflect the changes in the recording of foreign exchange forward contracts and were reclassified for consistency with the presentation adopted in 1998-1999.

(see notes on next page)

FINANCIAL STATISTICS

FISCAL YEAR ENDED MARCH 31, 1999

(in millions of dollars)

Fiscal year	Revenue*	Expenditure*	(Deficit) or surplus	Net debt [1]
1998-1999	46 541	46 415	126	88 461 [18]
1997-1998	41 673	43 830	(2 157)	88 377 [17]
1996-1997	37 788	41 000	(3 212)	64 833 [16]
1995-1996	38 682	42 629	(3 947)	61 624
1994-1995	36 863	42 684	(5 821)	57 677 [15]
1993-1994	36 487	41 410	(4 923)	51 837
1992-1993	35 843	40 873	(5 030)	46 914 [14]
1991-1992	34 881	39 182	(4 301)	41 885 [13]
1990-1991	33 422	36 397	(2 975)	37 558
1989-1990	31 370	33 134	(1 764)	34 583
1988-1989	29 997	31 701	(1 704)	32 819
1987-1988	28 328	30 724	(2 396)	31 115 [4,10]
1986-1987	25 582	28 554	(2 972)	28 716 [4,11,12]
1985-1986	24 177	27 650	(3 473)	25 735 [4,9,10]
1984-1985	22 294	26 167	(3 873)	21 455 [4,8,9]
1983-1984	21 852	24 016	(2 164)	17 298 [4,7]
1982-1983	19 772	22 235	(2 463)	15 038 [4]
1981-1982	17 893	20 514	(2 621)	12 569 [4,6]
1980-1981	14 621	18 102	(3 481)	14 326 [4]
1979-1980	13 187	15 587	(2 400)	10 836 [4]
1978-1979	11 767	13 265	(1 498)	8 460 [4,5]
1977-1978	11 066	11 770	(704)	7 058 [4]
1976-1977	9 624	10 800	(1 176)	6 353 [3]
1975-1976	8 310	9 261	(951)	5 044
1974-1975	7 218	7 660	(442)	4 093
1973-1974	5 732	6 391	(659)	3 651
1972-1973	5 005	5 352	(347)	2 992
1971-1972	4 477	4 832	(355)	2 645
1970-1971	3 842	3 987	(145)	2 290 [2, 2a]
1965-1966	1 736	1 999	(263)	1 398
1960-1961	751	855	(104)	374
1955-1956	462	442	(20)	275

* Certain 1997-1998 figures were reclassified and restated for consistency with the presentation adopted in 1998-1999. The comparative figures for fiscal 1996-1997 and previous years for the Consolidated Revenue Fund and the Health Services Fund were restated to reflect the changes in the recording of foreign exchange forward contracts and were reclassified for consistency with the presentation adopted in 1998-1999.

(see notes on next page)

FINANCIAL STATISTICS (CONT'D)

FISCAL YEAR ENDED MARCH 31, 1999
(in millions of dollars)

($M = millions of dollars)

(1) Net debt represents total liabilities minus financial assets, recorded in the statement of financial position.

(2) Following the retroactive application of the recording of the allowance for losses on guaranteed financial initiatives, the net debt was increased by $8 M owing to the effect the application has on the surpluses or deficits of fiscal years prior to 1970-1971.

(2a) Following the retroactive application of the recording of sick leave and vacations, the net debt was increased by $65 M owing to the effect the application has on the surpluses or deficits of fiscal years prior to 1970-1971.

(3) At April 1, 1976, the net debt was increased by $133 M, including $31 M to take into account the recording of equity investments in Government agencies and enterprises according to the modified equity method and by $102 M for the recording of borrowings in foreign currencies at their Canadian equivalent.

(4) Including adjustments by Government agencies and enterprises to their financial statements of $1 M in 1977-1978, $1 M in 1978-1979, -$24 M in 1979-1980, $9 M in 1980-1981, -$4 M in 1981-1982, $6 M in 1982-1983, $37 M in 1983-1984, $398 M in 1984-1985, $168 M in 1985-1986, $4 M in 1986-1987 and $4 M in 1987-1988.

(5) At April 1, 1978, the net debt was reduced by $97 M to cancel the effect of changes to the net debt, for purposes of comparison, from 1945-1946 to 1977-1978, following the adoption of a new method for recording pension plans.

(6) Including a decrease of $4 374 M to take into account the assignment, to the Minister of Finance, of Hydro-Québec shares paid for from retained earnings of this Government enterprise up to December 31, 1980.

(7) At April 1, 1983, the net debt was increased by $59 M following the cancellation of receivables (advances, accounts and accrued interest) from the Société d'aménagement de l'Outaouais.

(8) During fiscal 1984-1985, the net debt was reduced by $528 M following the transfer, to the Minister of Finance, of Société immobilière du Québec shares for $80 M and through registering advances of $448 M as compensation for assets transferred to that Société.

(9) Including an increase of $1 078 M in the net debt, through unamortized fluctuations in exchange rates on foreign currency borrowings of $414 M in 1984-1985 and $664 M in 1985-1986.

(10) Including a decrease of $25 M in 1985-1986 and of $1 M in 1987-1988 following the transfer, to the Minister of Finance, of Société des établissements de plein air du Québec shares as compensation for assets transferred to that Société.

(11) At April 1, 1986, the net debt was increased by $14 M following the write-off of equity investments in the Raffinerie de sucre du Québec.

(12) During fiscal 1986-1987, the net debt was reduced by $9 M following the decrease in accounts payable under capital leases at March 31, 1986.

(13) Including an increase of $26 M to take into account the adjustment made to borrowings in order to bring sinking fund accounting into conformity with the accounting policies in effect.

(14) In 1992-1993, the net debt was reduced by $1 M following the transfer, to the Minister of Finance, of Société des établissements de plein air du Québec shares as compensation for assets transferred to that Société.

(15) In 1994-1995, the net debt was increased by $19 M to take into account the write-off of equity investments in the Société générale des industries culturelles.

(16) The net debt was reduced by $3 M in 1996-1997 to take into account the portion of unrealized gain on the sale of SOQUIP's interest in Noverco inc. (shares held by the Caisse de dépôt et placement du Québec).

(17) The net debt was increased by $21 387 M, including $13 173 M for recording unrecorded pension plan obligations, $6 693 M for consolidating Government enterprises, agencies and special funds, $731 M for changing the method used to record borrowings, $461 M for recording public sector restructuring measures, $353 M for recording fixed assets and - $24 M for the excess of the municipal assessment for fixed assets of the Corporation d'hébergement du Québec over their cost on the date of acquisition

(18) The net debt was increased by $210 M, including $217 M for recording fixed assets and -$7 M for the excess of the municipal assessment for fixed assets of the Corporation d'hébergement du Québec over their cost on the date of acquisition.

CONSOLIDATED FINANCIAL

STATEMENTS

STATEMENT OF RESPONSIBILITY

The Government is responsible for the integrity and objectivity of the consolidated financial statements prepared at the Ministère des Finances in accordance with the Financial Administration Act (R.S.Q., c. A-6, Division VIII). These statements are prepared in accordance with the accounting policies disclosed in Note 1 of the financial statements.

To fulfil its accounting and financial reporting responsibilities, the Government maintains systems of financial management and internal control designed to provide reasonable assurance that transactions are duly authorized by Parliament and properly executed and recorded.

The Comptroller of Finance keeps the accounts of the Gouvernement du Québec by maintaining a centralized record of financial transactions, and obtains all the information needed to meet its accounting and financial reporting requirements from Government departments, agencies, enterprises and funds.

The Government submits its consolidated financial statements for audit purposes to the Auditor General who, in his report to the National Assembly, states the nature and scope of his audit as well as his opinion.

The financial statements are part of the Public Accounts tabled annually in the National Assembly by the Minister of Finance.

On behalf of the Gouvernement du Québec,

Nathalie Tremblay, C.A.
Comptroller of Finance

Gilles Godbout
Deputy Minister of Finance

Québec, December 17, 1999

AUDITOR GENERAL'S REPORT

To the National Assembly,

I have audited the following consolidated financial statements of the Gouvernement du Québec for the year ended March 31, 1999:

- operations;
- changes in net debt;
- financial position;
- financial surplus (requirements) and financing;
- capital assets.

The Minister of Finance is responsible for preparing these financial statements. My responsibility is to express an opinion on these financial statements based on my audit.

Except for what is mentioned hereinafter concerning the integration of the entities of the health and social services and education networks in the government financial reporting entity, I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the management of government departments and agencies included in the government financial reporting entity, as well as evaluating the overall financial statement presentation.

TRANSFER EXPENDITURES

Transfer expenditures for the health and social services network were included in the operations of the year ended March 31, 1999 even though the facts giving rise to the transfers had not materialized at that date. In my opinion, the criterion permitting their recognition is not met as the expenditures funded by this transfer had not yet been made on March 31, 1999. This practice is contrary to the government's accounting policies and the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants concerning this type of transfer. The effect of applying this accounting policy inappropriately is to understate by $300 million the surplus of the year ended March 31, 1999 and the financial assets at that date as well as to overstate the net debt by the same amount.

PROVISION FOR LOSSES ON GUARANTEED FINANCIAL INITIATIVES

Investissement-Québec sets the provision for losses on its financial initiatives guaranteed by the government according to the credit risks and the initiatives in progress. The government records a different provision for these same initiatives according to its own assessment of the credit risks and on the basis of the authorized initiatives rather than of those in progress. In my opinion, the provision established by Investissement-Québec is appropriate because it is evaluated on the basis of the accrual accounting method and a meticulous analysis of the credit risks. Hence, the government should have recorded in its books the provision calculated by Investissement-Québec. The effect of not having entered an appropriate provision is to understate the surplus of the year ended March 31, 1999 by $101 million and to overstate the provision for losses on guaranteed financial initiatives and the net debt by $116.4 million at that date.

COMMITMENTS FOR THE RÉGIME DE RETRAITE DES EMPLOYÉS DU GOUVERNEMENT ET DES ORGANISMES PUBLICS (RREGOP) AND THE RÉGIME DE RETRAITE DES AGENTS DE LA PAIX EN SERVICES CORRECTIONNELS (RRAPSC)

The liabilities recorded under "Retirement plans" as at March 31, 1999 for the regular service of the RREGOP, excluding that of the senior administration, total $16,751 million and the liabilities recorded for the RRAPSC total $480 million. These two plans are of the shared-cost type, namely their respective cost, i.e. the ensuing annual contribution, is shared in predetermined proportions between the employer and the participants. This sharing of the annual contribution creates a commitment for the government with respect to the financing of these plans, a commitment whose value corresponds to the fund that the government would have accumulated, had it paid its contributions on the same bases as those which were used to determine the participants' fund. In the case of the RREGOP, the value of this fund was estimated at $29,542 million as at December 31, 1998. As for the RRAPSC, for which the employees' contributions were paid into the Consolidated Revenue Fund, the value of the fund that the employees and the government would have accumulated was evaluated at $560 million at that same date.

In note 5 of its financial statements, the government does not clearly recognize that it has contracted commitments for the financing of these plans. Indeed, it does not indicate that the commitments to which reference is made ensue from the sharing of the annual contribution established according to the legislative provisions of these plans and the collective agreements that the government has negotiated since the creation of the plans. With respect to commitments of $29,542 million and $560 million for the RREGOP and the RRAPSC respectively, $16,751 million and $480 million are already recorded under liabilities as at March 31, 1999.

Although these commitments had no effect on the liabilities, the net debt and the surplus of the year ended March 31, 1999, this information must be disclosed appropriately to enable readers of the financial statements to better evaluate the government's financial condition.

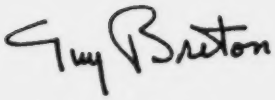
REPORTING ENTITY

The government has not expressed an opinion on the integration of the entities of the health and social services and education networks in its consolidated financial statements as I had recommended in my annual report tabled in the National Assembly in June 1999. As a result, I do not have sufficient and appropriate audit evidence to issue an opinion on the integration of these entities in the government financial reporting entity, and I am not able to determine the overall effect on the government's financial position as at March 31, 1999 and on the results of its operations for the year then ended.

In my opinion, except for the effects of the inappropriate recording of the expenditures mentioned in the foregoing paragraphs, the inappropriate disclosure by the government of the commitments concerning the financing of the RREGOP and the RRAPSC, and the effect of the adjustments which I may have determined to be necessary had I been able to rule on the integration of the entities of the networks in the government reporting entity, these consolidated financial statements present fairly, in all material respects, the financial position of the Gouvernement du Québec as at March 31, 1999, and the results of its operations and the changes in its financial position for the year then

ended in accordance with the accounting policies described in Note 1. As required by the *Auditor General Act* (R.S.Q., chapter V-5.01), I report that, in my opinion, these accounting policies have been applied, after giving retroactive effect to the changes in accounting policies explained in Note 2, on a basis consistent with that of the preceding year.

Auditor General of Québec,



Guy Breton, FCA

Québec City, December 17, 1999

CONSOLIDATED STATEMENT OF OPERATIONS
FISCAL YEAR ENDED MARCH 31, 1999
(in millions of dollars)

Appendix		1999 Budget *	1999 Actual results	1998 Actual results (Notes 2 and 14)
5	**REVENUE (Note 3)**			
	Income and property taxes	22 003	22 974	21 891
	Consumption taxes	8 241	8 585	7 421
	Duties and permits	1 362	1 362	1 447
	Miscellaneous	1 739	2 399	2 191
	Revenue from Government enterprises	2 817	3 131	2 734
	Own-source revenue	36 162	38 451	35 684
	Government of Canada transfers	6 353	8 090	5 989
	Total revenue	**42 515**	**46 541**	**41 673**
6	**EXPENDITURE**			
	Health and Social Services	13 014	15 034	13 297
	Education and Culture	9 773	10 231	10 086
	Support for Individuals and Families	4 822	4 915	4 503
	Economy and Environment	4 401	5 135	5 027
	Administration and Justice	3 224	3 249	2 981
	Depreciation of fixed assets	423	664	593
	Sub-total	**35 657**	**39 228**	**36 487**
	Debt service	8 058	7 187	7 343
	Total expenditure	**43 715**	**46 415**	**43 830**
	Surplus (deficit)	**(1 200)**	**126**	**(2 157)**

* These data were established on the basis of the revenue forecasts announced in the 1998-1999 Budget Speech of March 31, 1998 and the expenditure forecasts presented in the 1998-1999 Estimates, adjusted according to the measures announced in the 1998-1999 Budget Speech.

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

FISCAL YEAR ENDED MARCH 31, 1999

(in millions of dollars)

	1999	1998
PREVIOUSLY ESTABLISHED OPENING BALANCE	**88 404**	**86 037**
Adjustment:		
Recording of foreign exchange forward contracts (Note 2a)	(27)	(2)
Adjusted opening balance	**88 377**	**86 035**
(Surplus) deficit	(126)	2 157
Increase in the net book value of fixed assets (Note 2b)	217	209
	91	**2 366**
Excess of the municipal assessment for fixed assets of the Corporation d'hébergement du Québec over their cost on the date of acquisition	(7)	(24)
Annual change in net debt	**84**	**2 342**
CLOSING BALANCE	**88 461**	**88 377**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 1999
(in millions of dollars)

Appendix		1999	1998 (Note 2)
	LIABILITIES		
7	Bank overdraft	1 617	737
8	Accounts payable and accrued expenses	8 987	7 703
	Deferred revenue	172	162
	Pension plans (Note 5)	40 428	40 438
9	Borrowings (Note 6)	61 975	57 294
10	Borrowings to finance the health and social services and education networks and Government enterprises (Note 8)	5 715	4 827
11	Borrowings to finance the work of municipal bodies (Note 9)	3 282	3 176
	Allowance for financing the fixed assets of the health and social services and education networks (Note 10)	1 183	1 083
	TOTAL LIABILITIES	**123 359**	**115 420**
	FINANCIAL ASSETS		
12	Short-term investments	2 930	70
13	Accounts receivable	6 103	5 666
14	Investment in Government enterprises	15 116	13 736
15	Long-term investments	1 753	1 731
16	Other accounts	2 098	(70)
	Advances to the health and social services and education networks and Government enterprises (Note 8)	5 715	4 827
	Assets for financing the fixed assets of the health and social services and education networks (Note 10)	1 183	1 083
	TOTAL FINANCIAL ASSETS	**34 898**	**27 043**
	NET DEBT	**88 461**	**88 377**
	Net debt represented by:		
	Fixed assets (see consolidated statement of fixed assets)	6 233	6 016
	Accumulated deficit	82 228	82 361
		88 461	**88 377**

. Commitments and contingencies (Note 11)
. Transactions of a fiduciary nature conducted by Government agencies and funds (Appendix 18)

Nathalie Tremblay, C.A.
Comptroller of Finance

Gilles Godbout
Deputy Minister of Finance

Québec, December 17, 1999

CONSOLIDATED STATEMENT OF FINANCIAL SURPLUS (REQUIREMENTS) AND FINANCING

FISCAL YEAR ENDED MARCH 31, 1999

(in millions of dollars)

	1999		1998 (Notes 2 and 14)	
OPERATING ACTIVITIES				
Surplus (deficit)		126		(2 157)
Items not affecting liquid assets:				
Government's share in the results of enterprises entered as revenue less declared dividends	(1 282)		(931)	
Allowance for doubtful accounts	594		848	
Sick leave and vacations	60		70	
Allowance for losses on guaranteed financial initiatives	154		371	
Pension costs (Note 5)	930		743	
Interest charges relating to pension plans (Note 5)	2 500		3 049	
Depreciation of fixed assets	664		593	
Amortization of deferred expenses	111		85	
Amortization of unrealized foreign exchange loss	293		43	
Amortization of discounts and premiums	120	4 144	151	5 022
		4 270		2 865
Pensions plans:				
Benefits and other payments	(2 624)		(2 046)	
Employee and autonomous employer contributions	214	(2 410)	142	(1 904)
Specific purpose accounts (Appendix 8)				
Payments and other debits	(301)		(605)	
Receipts and other credits	328	27	610	5
Changes in liabilities and financial assets related to operations		(235)		(1 313)
Liquid assets provided for (used for) operating activities		**1 652**		**(347)**
INVESTMENT ACTIVITIES				
Changes in investment in Government enterprises				
Investments made		(184)		(143)
Investments realized		86		9
		(98)		(134)
Changes in long-term investments				
Investments made		(333)		(478)
Investments realized		183		77
		(150)		(401)
Fixed assets				
Acquisition		(976)		(827)
Disposal		95		25
		(881)		(802)
Liquid assets used for investment activities		**(1 129)**		**(1 337)**
NET FINANCIAL SURPLUS (REQUIREMENTS)		**523**		**(1 684)**

CONSOLIDATED STATEMENT OF FINANCIAL SURPLUS (REQUIREMENTS) AND FINANCING (cont'd)
FISCAL YEAR ENDED MARCH 31, 1999
(in millions of dollars)

	1999	1998 (Notes 2 and 14)
FINANCING ACTIVITIES		
Changes in borrowings		
Borrowings made	9 651	10 121
Borrowings repaid	(7 161)	(8 826)
	2 490	1 295
Changes in the Retirement Plans Sinking Fund:		
Payments	(944)	
Reinvestment of Fund investment income	(86)	(84)
Changes in liquid assets[1]	(1 983)	473
NET FINANCING	**(523)**	**1 684**

[1] Liquid assets include short-term investments less bank overdraft, excluding outstanding cheques as well as cash and notes on hand and outstanding deposits.

CONSOLIDATED STATEMENT OF FIXED ASSETS
FISCAL YEAR ENDED MARCH 31, 1999
(in millions of dollars)

	Land	Buildings	Facilities	Complex networks	Equip-ment	Development of data processing systems	1999 Total	1998 Total (Note 2)
Cost of fixed assets - opening balance	153	3 343	71	10 028	1 523	637	15 755	15 010
Acquisition	4	149	11	523	123	166	976	827
Disposal	(9)	(105)			(32)	(1)	(147)	(82)
Cost of fixed assets - closing balance	148	3 387	82	10 551	1 614	802	16 584	15 755
Accumulated depreciation - opening balance		1 574	27	6 918	1 072	148	9 739	9 203
Depreciation expenses		124	2	349	116	73	664	593
Impact of disposal		(33)			(19)		(52)	(57)
Accumulated depreciation - closing balance		1 665	29	7 267	1 169	221	10 351	9 739
Fixed assets (Note 4)	148 [1]	1 722	53	3 284	445	581	6 233	6 016

[1] Fixed assets include land acquired for a nominal fee for public transit purposes.

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The Gouvernement du Québec accounts for its financial transactions in accordance with the accounting policies disclosed below. When necessary, the information included in the consolidated financial statements is based on best estimates and judgments.

REPORTING ENTITY

The Government's reporting entity encompasses departments, agencies, enterprises and special funds which must account for the management of their financial transactions and resources to a Minister or directly to the National Assembly and which are part of the Government or under its control. They are listed in an appendix to the financial statements.

Transactions of a fiduciary nature conducted by certain agencies and funds are not included in the Government's reporting entity. These agencies and funds are listed in an appendix to the financial statements.

CONSOLIDATION METHOD

The accounts of the Consolidated Revenue Fund and the other entities included in the Government's reporting entity, with the exception of Government enterprises, have been standardized and combined line by line in accordance with the accounting policies disclosed below. Inter-entity transactions and balances have been eliminated.

Government enterprises are accounted for using the modified equity method. Therefore, investment in these enterprises is recorded at cost, which is adjusted annually by the Government's share in the results of these enterprises with an offsetting entry to revenue, and reduced by the portion of dividends that are paid or reported by an enterprise and that accrue to the Government. A Government enterprise has all of the following characteristics:

a) it is a separate legal entity that has the authority to enter into contracts in its own name and to go before a court;
b) it is vested with the financial and administrative power to carry out commercial activities;
c) its main activity is the sale of goods or the delivery of services to individuals or to organizations not included in the Government's reporting entity;
d) it may, during the normal course of its operations, pursue its activities and settle its debts using revenue from sources not included in the Government's reporting entity.

REVENUE

Revenue from income and property taxes, consumption taxes, duties, permits, fines and forfeitures is recorded in the fiscal year during which it is received, after deducting reimbursements and other amounts deductible under the applicable legislation. Assessments and amounts billed before the end of the fiscal year are entered as revenue.

Revenue from Government of Canada transfers is recorded in the fiscal year during which it is received. However, claims issued and estimates of revenue from transfers related to shared-cost programs without fiscal compensation are recorded in the fiscal year during which the related expenditures are made.

Other revenue is recorded on the accrual basis. Interest income ceases to be recorded when there is no reasonable assurance that the principal or interest will be recovered.

EXPENDITURE

Expenditure includes the cost of goods and services acquired during the fiscal year, with the exception of fixed assets for which an annual depreciation is recorded.

Transfers are recorded in the fiscal year during which the events that give rise to them occur, insofar as the transfers have been authorized and once beneficiaries have met the eligibility criteria.

LIABILITIES

Accounts payable and Accrued Expenses

Specific purpose accounts

The Financial Administration Act (R.S.Q., c. A-6) provides for the creation of specific purpose accounts in which amounts received in respect of a contract or an agreement calling for the allocation of funds to a specific purpose may be deposited. Consequently, certain amounts receivable or payable under shared-cost programs without fiscal compensation or as a result of third-party compensation are recorded in specific purpose accounts.

Sick leave and vacations

Obligations relating to sick leave and vacations owed to Government employees are recorded as liabilities. The annual change in this account is posted to expenditure.

Allowance for losses on guaranteed financial initiatives

Obligations resulting from borrowings and other guaranteed financial initiatives are recorded as liabilities when a loss is probable. The annual change in this allowance is posted to expenditure.

The allowance for probable losses is evaluated using a rate based on past experience regarding losses on each of the guarantee programs. Special guarantees are grouped according to risk level.

Pension Plans

Government pension plans are defined benefit pension plans. Within the context of preparing the Government's financial statements, obligations relating to vested benefits are evaluated using the actuarial projected benefit method prorated on service, according to the most probable assumptions set by the Government with regard, notably, to inflation, interest and employee remuneration. This method has been adjusted, however, to reflect the way in which benefits are earned by employees.

Total cost of plans

The annual cost of vested benefits for all pension plans, including the cost of changes to the plans and the amortization of adjustments to estimates based on actuarial gains or losses, are charged to expenditure, with an offsetting entry in the retirement plans account, i.e. pension plan liability. Changes to actuarial assumptions are included in the adjustments to estimates based on actuarial gains or losses.

In the case of the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP), the Teachers Pension Plan (TPP), the Pension Plan of Certain Teachers (PPCT) and transfers from the TPP and the CSSP to RREGOP, adjustments to estimates based on actuarial gains or losses are amortized using the straight-line method over a period corresponding to the estimated average remaining years of service of participants

in these plans as a whole. However, adjustments to estimates based on actuarial gains or losses for the other pension plans are amortized over a period corresponding to the estimated average remaining years of service of participants in each plan.

The total cost of the pension plans also includes interest charges on obligations relating to vested benefits, with an offsetting entry to liabilities in the retirement plans account. The investment revenue of the Retirement Plans Sinking Fund, created to pay for benefits under these plans, is taken into account in computing interest charges on obligations relating to vested benefits.

Borrowings

Borrowings are recorded at the amount received at the time of issue, adjusted by the premium or discount amortization to obtain the amount of principal repayable at maturity. Issue expenses are recorded as deferred expenses and amortized over the term of each borrowing.

The value of borrowings in foreign currency is adjusted using the rates in effect on the balance sheet date, and the changes are recorded as unrealized foreign exchange gains or losses and amortized over the term of each borrowing.

Gains or losses on financial instruments are deferred and amortized over the remaining term of each agreement. However, foreign exchange gains or losses on short-term agreements aimed at covering the long-term debt are amortized over the remaining term of the borrowing portfolio in the currency concerned.

The amortization is calculated using the straight-line method, except in the case of discounts and premiums, which are amortized according to the effective rate of return on each borrowing.

FINANCIAL ASSETS

Short-term investments are recorded at cost and accounts receivable and loans and advances are recorded initially at cost and then brought down to their net recoverable value through valuation allowances.

Investment in Government enterprises is recorded using the modified equity method.

Other long-term investments are entered at cost and reduced by any durable loss in value. The loss in value is charged to operations for the fiscal year during which it is known.

FIXED ASSETS

Fixed assets consist of acquired, built, developed or improved non-financial assets, whose useful life extends beyond the fiscal year and which are intended to be used on an ongoing basis for producing goods or delivering services.

They include land, buildings, facilities such as parks and outdoor recreational areas, complex networks such as dams, canals, roads and bridges, equipment such as vehicles and furniture, and the development of data processing systems.

Fixed assets are recorded at cost and depreciated using a logical, systematic method over a period corresponding to their useful life. They are a component of net debt. Their cost includes financing charges capitalized during their construction, improvement or development.

The cost of fixed assets held under capital leases is equal to the present value of payments due. Works of art and historic property are not recorded as fixed assets but are mentioned in a note to the financial statements, and their cost is charged to expenditure for the fiscal year during which they are acquired.

Fixed assets acquired through donation or for a nominal fee are recorded at their fair value at the time of acquisition with an offsetting entry to deferred revenue liabilities, which are gradually transferred to operating results using the same term and method of amortization as for the fixed assets concerned. However, land is recorded at its nominal value.

Sums received from agencies not included in the Government's reporting entity for the purchase of fixed assets are recorded as deferred revenue liabilities and gradually transferred to operating results using the same term and method of amortization as for the fixed assets concerned. However, contributions received for the purchase of land are deducted from the latter's cost.

2. ACCOUNTING CHANGES

a) Recording of foreign exchange forward contracts

Gains or losses on foreign exchange forward contracts negotiated in connection with long-term debt management include two components. The first component is a gain or loss of interest, which is known when a contract is concluded and which represents the difference between the short-term interest rates in effect in the countries that use the two currencies concerned. The second component is a foreign exchange gain or loss, which is known only when contracts mature.

Since April 1, 1998, the Government has recorded the interest component as deferred expenses and amortized it over the term of each contract. Previously, no distinction was made and all gains or losses were recorded as unrealized foreign exchange gains or losses and then amortized over the remaining term of the borrowing portfolio in the currency concerned.

The retroactive application of this accounting change increased (decreased) the following financial statement items:

	1999	1998
	(in millions of dollars)	
Net debt	(126)	(27)
Unrealized foreign exchange loss	127	27
Deferred expenses	(1)	
Surplus (deficit)	99	(25)

b) Recording of fixed assets

Since April 1, 1998, the Government has capitalized cadastral plan expenses. Prior to that date, all such expenses were charged to operations.

The retroactive application of this accounting change increased (decreased) the following financial statement item:

	1999	1998
		(in millions of dollars)
Surplus (deficit)	12	(10)

3. REVENUE

ACCORDING TO APPLICABLE LEGISLATION, REVENUE IS SHOWN AFTER DEDUCTION OF THE FOLLOWING ITEMS:

	1999	1998 (Note14)
	(in millions of dollars)	
Personal income tax:		
Property tax refunds	187	151
Family assistance allowances	111	121
Refundable tax credits:		
Sales tax	152	163
Lodging of direct ascendants	17	15
Day care expenses	234	178
Other	23	13
	724	**641**
Corporate taxes:		
Refundable tax credits:		
Losses other than capital losses	49	55
Scientific research and experimental development	143	134
Manpower training	(16)	43
Cinematrographic productions	104	65
Tax credit for large corporations	189	175
Other	41	19
	510	**491**
Duties and permits:		
Refundable mining duties credits for losses pertaining to exploration and capital expenditures and other	14	
Highway carrier monitoring	34	34
Silvicultural work and other forest management activities	226	113
	274	**147**
	1 508	**1 279**

4. FIXED ASSETS

Fixed assets are recorded at acquisition cost and shown in net debt. They are depreciated over their useful life using the following methods:

Category	Depreciation method	Useful life
Buildings	Straight-line and annuity	10 to 50 years
Facilities	Straight-line and annuity	5 to 10 years
Complex networks	Straight-line	10 to 40 years
Equipment	Straight-line	3 to 20 years
Development of data processing systems	Straight-line	5 to 10 years

Works of art and historic property consist mainly of paintings, sculptures, drawings, prints, photographs, installations, films and videos and their cost is charged to expenditures for the fiscal year in which they are acquired.

5. PENSION PLANS

The Gouvernement du Québec contributes to several pension plans for its employees. Employees of the public and parapublic sectors, the Members of the National Assembly and the judges of the Court of Québec participate in these plans.

PENSION PLANS

	Estimated number of participants as at December 31, 1998	Number of beneficiaries as at December 31, 1998
Government and Public Employees Retirement Plan (RREGOP)	450 000	93 604
Pension Plan for Management (PPM)	21 070	9 229
Teachers Pension Plan and Pension Plan of Certain Teachers (TPP and PPCT)	16 800 *	40 231
Civil Service Superannuation Plan (CSSP)	5 175 *	26 336
Superannuation Plan for the Members of the Sûreté du Québec (SPMSQ)	3 960	3 165
Pension Plan of Peace Officers in Correctional Services (PPPOCS)	2 720	716
Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec (PPFETQ)	306	55
Pension Plan of the Judges of the Court of Québec (PPJCQ)	282	265
Pension Plan of the Members of the National Assembly (PPMNA)	150	257
	500 463	**173 858**

* These plans have not admitted any new participants since July 1, 1973.

These plans are "defined benefit" pension plans, which means that they guarantee participants a set income upon retirement, calculated on the basis of participants' average income for the five best paid years and their number of years of service. The portion of benefits accrued prior to July 1, 1982 is usually indexed to the cost of living, while those accrued after that date are partially indexed.

There are two types of pension plans:

- cost-sharing pension plans;
- cost-balance pension plans.

Cost-sharing pension plans

In the case of RREGOP, the Government covers costs at a rate of 50% for years of service since July 1, 1982 and 58.33% (7/12) for years of service prior to July 1, 1982. The contributions of participants and independent employers to RREGOP are paid into the Caisse de dépôt et placement du Québec.

In the case of the PPPOCS, the Government covers 46% of costs, while employees cover 54%. Employee contributions are paid into the Consolidated Revenue Fund.

Cost-balance pension plans

Cost-balance pension plans are plans for which employers cover the difference between the cost of plans and the contributions paid by participants. All Government plans except RREGOP and the PPPOCS fall into this category. The contributions of participants and independent employers to these cost-balance plans are paid into the Consolidated Revenue Fund. The Government thus covers the difference between the cost of each plan and the contributions paid by participants and independent employers.

Value of actuarial obligations relating to vested benefits for the pension plans as a whole

The value of actuarial obligations relating to vested benefits for the pension plans as a whole for service rendered as at a given date is determined by actuaries of the Commission administrative des régimes de retraite et d'assurances (CARRA). For this purpose, they use the actuarial projected benefit method prorated on service and take into account among other things, the most probable long-term economic assumptions.

Long-term economic assumptions:	
Yield, net of inflation	4.70%
Inflation rate	3.00%
Salary escalation rate, net of inflation	1.25%

Government's liability with regard to the pension plans

The Government's liability with regard to the pension plans is recorded in conformity with the recommendations of the Canadian Institute of Chartered Accountants for public sector pension plans.

The liability recorded with respect to the pension plans is established on the basis of the value of actuarial obligations relating to vested benefits for the pension plans as a whole, taking into account certain adjustments stemming from actuarial gains or losses noted during the actuarial valuations prepared every three years. These gains or losses are amortized using the accounting policy established for this purpose. The Government's liability with regard to the pension plans also includes interest charges calculated on the basis of the value of the actuarial obligations relating to vested benefits as at a given date for the pension plans as a whole.

As shown in the following table, which presents a breakdown of the retirement plans account for the main pension plans, the liability recorded in the Government's retirement plans account is estimated at $42 637 million as at March 31, 1999 for the plans as a whole, including $19 561 million for RREGOP, the plan with the most participants.

PENSION PLANS LIABILITY

	Actuarial obligations relating to vested benefits	Adjustments	Pension plans liability as at March 31, 1999	Pension plans liability as at March 31, 1998
		(in millions of dollars)		
RREGOP				
- regular service	17 949	(880)	17 069	16 180
- transferred service	2 646	(154)	2 492	2 484
TPP and PPCT	15 109	(480)	14 629	14 570
CSSP	5 552	(171)	5 381	5 436
Other	3 026	40	3 066	2 947
	44 282	**(1 645)**	**42 637**	**41 617**
Sinking Funds[1]	(2 209)		(2 209)	(1 179)
	42 073	**(1 645)**	**40 428**	**40 438**

[1] Under the Financial Administration Act (R.S.Q., c. A-6, Division VII.I), the Minister of Finance may make long-term investments, by way of a deposit with the Caisse de dépôt et placement du Québec, using a part of the Consolidated Revenue Fund up to an amount equal to the sums recorded in the retirement plans account in order to create a sinking fund to provide for the payment of all or part of the benefits awarded under these plans. The sinking fund's assets are recorded at a value based on their market value. During fiscal 1998-1999, the Minister made investments of $944 million in the Retirement Plans Sinking Fund. At March 31, 1999, $86 million in revenue ($84 million in 1998) was reinvested to the sinking fund, and was taken into account in calculating the interest charges relating to pension plans.

Actuarial valuations and subsequent estimates

The most recent estimates, which were filed and issued in 1999, were determined on the basis of actuarial valuations as at December 31, 1996 for RREGOP, the TPP, the CSSP, the PPCT, the SPMSQ, the PPMNA and the PPJCQ, and as at December 31, 1994 for the PPPOCS and the PPFETQ.

TOTAL COST OF PENSION PLANS

	1999	1998
	(in millions of dollars)	
Pension costs		
Cost of vested benefits excluding interest charges	1 054	885
Employee contributions	(206)	(120)
Independant employer contributions	(8)	(22)
	840	**743**
Amortization of adjustments to estimates based on actuarial gains or losses	90	
	930	743
Interest charges relating to the pension plans	2 500	3 049
Total	**3 430**	**3 792**

FUNDING OF PENSION PLANS

Actuarial valuations for funding purposes for regular service under "cost-sharing" pension plans (RREGOP and PPPOCS)

By law, actuaries of the Commission administrative des régimes de retraite et d'assurances (CARRA) are required to prepare, every three years, an actuarial valuation for funding purposes for each of the pension plans in order to determine the rates of contribution for these plans. To that end, the actuaries take legislative provisions and collective agreements into account using the valuation method agreed upon by the parties concerned and economic assumptions that are more conservative than those used to prepare valuations for accounting purposes.

According to these valuations, Government commitments for funding purposes are calculated as the fund that the Government would have amassed had it been required to pay contributions since 1973 on the same bases as those used to determine the rate of contribution of participants. In the case of RREGOP, this fund was estimated at $29.5 billion as at December 31, 1998. In the case of the PPPOCS, for which the employee contributions were paid into the Consolidated Revenue Fund, the value of the fund that would have been amassed by employees and the Government was $560 million on that date. The difference between these amounts and the liability recorded for these two plans represents a non-payable amount that does not have to be recorded as a liability of the Government. The difference may be attributed to the use of different economic assumptions and methods.

According to the valuations for funding purposes, the Government's rate of contribution for regular service under RREGOP is equal to 4.80% of eligible earnings for participants who may be unionized (4.10% for non-unionizable participants). This rate stems from the actuarial valuation based on data as at December 31, 1993 and from the changes made to the plan since it was first published. In October 1998, the actuaries tabled an actuarial valuation that was based on data as at December 31, 1996 and that updated the previous valuation. When the collective agreements were renewed in the public and parapublic sectors, the parties concerned took this valuation into account. An agreement in principle providing for certain changes to the plans and a reduction in their rates of contribution was reached between the Government and the various labour organizations in December 1999. Discussions are under way to finalize the terms of this agreement.

6. BORROWINGS

Borrowings translated into Canadian dollars are shown below by currency and year of maturity. Monetary units by currency take currency swap contracts into account:

Currency[1]	1999 In millions of monetary units	1999 Total in Canadian equivalent (in millions of dollars)	1999 Weighted average interest rate %	1998 In millions of monetary units	1998 Total in Canadian equivalent (in millions of dollars)	1998 Weighted average interest rate %
In Canadian dollars	43 900	43 900 [2]	7.01	37 111	37 111	7.85 [3]
In U.S. dollars	5 728	8 647	7.70	8 011	11 353	7.86 [3]
In Japanese yen	511 457	6 521	4.56	485 642	5 178	5.51 [3]
In Swiss francs	2 522	2 578	2.16	2 826	2 626	3.00 [3]
In Deutsche marks	1 386	1 156	6.37	1 700	1 302	5.07 [3]
In French francs	2 898	720	7.70	4 187	957	7.00 [3]
In pounds sterling	198	483	9.53	198	469	9.39 [3]
In Euro	(117)	(190)	-2.20			
		63 815	**6.69 %**		**58 996**	**7.36 %**
Less:						
Sinking funds		1 840			1 702	
Total		**61 975**			**57 294**	

(1) Foreign monetary units are translated into their Canadian equivalent at the rates in effect on March 31.
(2) The Government held $365 million worth of its securities as at March 31, 1999.
(3) Rates have been adjusted to take interest rate swap contracts into account.
Note: A summary by type of currency and borrowing is presented in Appendix 9.

Maturing in	In Canadian dollars	In U.S. dollars	In Japanese yen	In Swiss francs	In Deutsche marks	Other	Total 1999 (in millions of dollars)
2000	8 050		1 275	218			9 543
2001	4 126			331			4 457
2002	4 487			424	1		4 912
2003	2 861			84			2 945
2004	3 463			182			3 645
	22 987		**1 275**	**1 239**	**1**		**25 502**
2005-2009	9 577	2 491	223	1 339	1 072	2	14 704
2010-2014	3 617	177	2 737			853	7 384
2015-2019	582	1 104	2 031		83	36	3 836
2020-2024	1 793	2 371	255			122	4 541
2025-2029	2 344	1 750					4 094
2030 and thereafter	1 672	242					1 914
Total	**42 572**	**8 135**	**6 521**	**2 578**	**1 156**	**1 013**	**61 975**

Note: This schedule takes into account $1 972 million in 2000 for treasury bills and was drawn up considering projected reimbursements of $483 million in 2000, $411million in 2001, $327 million in 2002, $262 million in 2003, $211 million in 2004 and $720 million in 2005-2009 for bonds redeemable on demand. Moreover, the amounts in Canadian and U.S. currency take the sinking funds into account.

7. FINANCIAL INSTRUMENTS

To meet the financial requirements arising from its operations for refunding maturing loans and for maintaining the desired level of liquid assets, the Government has provided itself with an annual financing and active debt-management program targeting Canadian and international financial markets.

Participation in these markets involves various types of risk. Therefore, the Government devises risk-management strategies by using the different derivative instruments at its disposal.

Foreign exchange risk

Foreign exchange risk is the risk that the cash flows needed to repay the interest and principal on loans in foreign currency will vary according to market fluctuations. To manage this risk, the Government uses derivative instruments such as currency swap contracts and foreign exchange forward contracts. The purpose of these contracts is to exchange cash flows from one currency to another.

The value of these contracts in currency, as indicated in the statement of financial position, is shown by type of currency in Appendices 9 to 11. These contracts mature at various dates until 2009.

Interest rate risk

Interest rate risk is the risk that debt service will vary unfavourably according to interest rate fluctuations. To reduce its exposure to interest-rate risk, the Government uses interest rate swap contracts. These contracts make it possible to exchange payments of interest at fixed rates for payments of interest at variable rates or vice versa on the basis of a reference par value. The Government manages debt by using short-term derivative instruments in an effort to control risk.

Credit risk

Credit risk is the risk that a counterparty will default on his contractual obligations, an event that could entail financial losses for the Government. To protect itself from such a risk within the scope of derivative instrument transactions, the Government has adopted a credit risk management policy that limits potential losses for each counterparty.

A credit limit is granted to each counterparty based mainly on their credit rating. When this limit is exceeded, a process is implemented to ensure that the amounts owed by the counterparty concerned fall within the limits set.

The Government deals with major financial institutions whose credit rating is equal to or higher than its own.

Liquidity risk

Liquidity risk is the risk that the Government will not be able to meet its financial commitments over the short term. To offset this risk, the Government has obtained lines of credit totalling C$1 165 million from various Canadian banking institutions.

In addition, the Government has concluded credit agreements for U.S.$3 500 million with a banking syndicate.

As at March 31, 1999, none of these credit lines or agreements had been used.

8. BORROWINGS TO FINANCE THE HEALTH AND SOCIAL SERVICES AND EDUCATION NETWORKS AND GOVERNMENT ENTERPRISES

Borrowings contracted by the Government for organizations in the health and social services and education networks and for Government enterprises are shown separately as liabilities. To offset these borrowings, advances to the health and social services and education networks and Government enterprises are granted on the same conditions as the borrowings and are recorded as financial assets.

Borrowings translated into Canadian dollars are shown below by currency and year of maturity. Monetary units by currency take currency swap contracts into account:

	1999			1998		
Currency [1]	**In millions of monetary units**	**Total in Canadian equivalent** (in millions of dollars)	**Weighted average interest rate %**	**In millions of monetary units**	**Total in Canadian equivalent** (in millions of dollars)	**Weighted average interest rate %**
In Canadian dollars	5 727	5 727	6.89	4 696	4 696	6.34
In U.S. dollars				86	120	5.78
In Japanese yen				2 019	21	2.25
		5 727	**6.89 %**		**4 837**	**6.31 %**
Less:						
Sinking funds		12			10	
Total		**5 715**			**4 827**	

[1] Foreign monetary units are translated into their Canadian equivalent at the rates in effect on March 31.
Note: A summary by type of currency and borrowing is presented in Appendix 10.

	1999
Maturing in	**In Canadian dollars** (in millions of dollars)
2000	1 591
2001	415
2002	134
2003	1 084
2004	931
	4 155
2005-2009	981
2010-2014	397
2015-2019	11
2020-2024	171
Total	**5 715**

Note: This schedule takes into account an amount of $883 million, for treasury bills, maturing in 2000.

9. BORROWINGS TO FINANCE THE WORK OF MUNICIPAL BODIES

Under the water treatment program, the Government is committed, in accordance with an agreement with the municipalities and the Société québécoise d'assainissement des eaux (SQAE), to contributing to the financing of work costs by reimbursing, based on their date of maturity, the principal and interest on borrowings contracted by the SQAE.

Borrowings translated into Canadian dollars are shown below by currency and year of maturity. Monetary units by currency take currency swap contracts into account:

Currency	1999 In millions of monetary units	1999 Total in Canadian equivalent (in millions of dollars)	1999 Weighted average interest rate %	1998 In millions of monetary units	1998 Total in Canadian equivalent (in millions of dollars) (Note 14)	1998 Weighted average interest rate %
In Canadian dollars	3 282	3 282	8.93 %	3 176	3 176	9.08 %

Note: A summary by type of currency and borrowing is presented in Appendix 11.

Maturing in	1999 In Canadian dollars (in millions of dollars)
2000	683
2001	490
2002	279
2003	399
2004	593
	2 444
2005-2009	788
2010-2014	
2015-2019	50
Total	3 282

Note: This schedule takes into account an amount of $114 million, for treasury bills, maturing in 2000.

10. ALLOWANCE FOR FINANCING THE FIXED ASSETS OF THE HEALTH AND SOCIAL SERVICES AND EDUCATION NETWORKS

Under the General and Vocational Colleges Act (R.S.Q., c. C-29), the Education Act (R.S.Q., c. I-13.3), the University Investments Act (R.S.Q., c. I-17), the Act respecting health services and social services (R.S.Q., c. S-4-2) and the Act respecting health services and social services for Cree Native persons (R.S.Q., c. S-5), the Government has created sinking funds for the purpose of repaying, out of the sums deposited by the Minister responsible, borrowings (principal and interest) contracted to finance the fixed assets of organizations in the health and social services and education networks.

The net assets of these sinking funds are as follows:

	1999	1998
	(in millions of dollars)	
Sinking funds relating to borrowings by:		
General and vocational colleges in Québec	197	178
Québec school boards	408 (1)	385 (1)
Québec university establishments	247 (2)	210
Québec health and social services organizations	331	310
	1 183	1 083

(1) Including $24 million deposited with a financial institution and disbursed on April 1, 1999 ($24 million in 1998).
(2) Including $3 million deposited with a financial institution and disbursed on April 1, 1999.

11. COMMITMENTS AND CONTINGENCIES

A) Commitments for transfers to non-profit organizations and enterprises, school boards, municipalities, educational institutions and health and social services institutions for reimbursement of the principal on borrowings contracted for capital expenditures and for other capital expenditures, as well as certain other commitments, are shown in summary form in Appendix 17. As at March 31, 1999, these commitments totalled $18 221 million ($17 267 million as at March 31, 1998).

B) Net guaranteed financial initiatives as at March 31, 1999 totalled $45 687 million ($44 947 million as at March 31, 1998) including $39 128 million as at March 31, 1999 ($38 598 million as at March 31, 1998) related to Hydro-Québec loan guarantees. These net guaranteed financial initiatives are shown in summary form in Appendix 17.

C) The Government is faced with claims and lawsuits, pending or potential. Some pertain to land claims by Native groups and benefit claims by social aid recipients under 30 years of age, while others, involving $764 million ($487 million in 1998), derive from breach of contract, personal injury or property damage and other similar causes. Since the outcome of these contingencies is uncertain, it is impossible to determine the potential loss the Government might incur.

12. MAJOR TRANSACTIONS BETWEEN GOVERNMENT ENTERPRISES AND ENTITIES INCLUDED IN THE GOVERNMENT'S REPORTING ENTITY

The most important transactions between the Government and its enterprises break down as follows:

	1999	1998
	(in millions of dollars)	
Revenue:		
Income and property taxes	334	322
Sales of goods and services	197	189
	531	511
Expenditure:		
Health and Social Services	343	303
Economy and Environment	84	253
Administration and Justice	34	33
	461	589

13. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many data processing systems use two digits rather than four to identify a year. Date-sensitive Government computer programs may recognize the year 2000 as 1900 or some other year, resulting in system errors or breakdowns when information using year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Government's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Government, including those related to the efforts of customers, suppliers or other third parties, will be fully resolved.

The Government has focused attention on systems, technological facilities, interfaces and specialized equipment that are used to maintain essential activities relating to health, safety and security, and economic stability, and all efforts have been aimed at ensuring that these activities will be maintained. However, since it is impossible to make all the necessary preparations, even by postponing less crucial work, the Government has prepared contingency plans and implemented preventive measures.

14. COMPARATIVE FIGURES

Certain comparative figures for 1998 were reclassified for consistency with the presentation adopted in 1999.

APPENDIX 1

GOVERNMENT DEPARTMENTS AND AGENCIES WHOSE FINANCIAL TRANSACTIONS WERE CONDUCTED WITHIN THE CONSOLIDATED REVENUE FUND AND INCLUDED IN THE GOVERNMENT'S REPORTING ENTITY

Affaires municipales
- Commission municipale du Québec
- Régie du logement

Agriculture, Pêcheries et Alimentation
- Commission de protection du territoire agricole du Québec
- Régie des assurances agricoles du Québec
- Régie des marchés agricoles et alimentaires du Québec

Assemblée nationale

Conseil du trésor, Administration et Fonction publique
- Commission de la fonction publique

Conseil exécutif

Culture et Communications
- Commission de protection de la langue française
- Commission de toponymie
- Commission des biens culturels du Québec
- Conseil de la langue française
- Office de la langue française
- Régie du cinéma

Éducation
- Commission consultative de l'enseignement privé
- Commission d'évaluation de l'enseignement collégial
- Conseil supérieur de l'éducation

Emploi, Solidarité et Condition féminine
- Conseil du statut de la femme

Environnement et Faune
- Bureau d'audiences publiques sur l'environnement

Famille et Enfance
- Conseil de la famille et de l'enfance

Finances
- Inspecteur général des institutions financières
- Régie de l'assurance-dépôts du Québec

Industrie et Commerce

Justice
- Tribunal des droits de la personne

Métropole

GOVERNMENT DEPARTMENTS AND AGENCIES WHOSE FINANCIAL TRANSACTIONS WERE CONDUCTED WITHIN THE CONSOLIDATED REVENUE FUND AND INCLUDED IN THE GOVERNMENT'S REPORTING ENTITY

Personnes désignées par l'Assemblée nationale
- Directeur général des élections - Commission de la représentation
- Protecteur du citoyen
- Vérificateur général

Recherche, Science et Technologie
- Conseil de la science et de la technologie

Régions et Affaires autochtones

Relations avec les citoyens et Immigration
- Commission d'accès à l'information
- Commission des droits de la personne et des droits de la jeunesse
- Conseil des aînés
- Conseil des relations interculturelles
- Conseil permanent de la jeunesse
- Office de la protection du consommateur

Relations internationales

Ressources naturelles

Revenu

Santé et Services sociaux
- Conseil de la santé et du bien-être
- Conseil médical du Québec
- Office des personnes handicapées du Québec

Sécurité publique
- Comité de déontologie policière
- Commission québécoise des libérations conditionnelles
- Régie des alcools, des courses et des jeux

Tourisme

Transports
- Commission des transports du Québec

Travail
- Commission de l'équité salariale
- Conseil consultatif du travail et de la main-d'oeuvre
- Conseil des services essentiels
- Régie du bâtiment du Québec

AGENCIES AND SPECIAL FUNDS WHOSE OWN REPORTING ENTITY IS INCLUDED IN THE GOVERNMENT'S REPORTING ENTITY

AGENCIES

Administrative Tribunal of Québec
Agence de l'efficacité énergétique
Agence métropolitaine de transport
Bibliothèque nationale du Québec
Commissaire de l'industrie de la construction
Commission des lésions professionnelles
Commission de la capitale nationale du Québec
Commission de reconnaissance des associations d'artistes et des associations de producteurs
Commission des normes du travail
Commission des services juridiques
Commission des valeurs mobilières du Québec
Conseil des arts et des lettres du Québec
Conseil des assurances de dommages
Conseil des assurances de personnes
Corporation d'urgences-santé de la région de Montréal métropolitain
Fondation de la faune du Québec
Fonds d'aide aux recours collectifs
Fonds d'assurance-prêts agricoles et forestiers
Fonds de la recherche en santé du Québec
Fonds pour la formation de chercheurs et l'aide à la recherche
Grande bibliothèque du Québec
Héma-Québec
Institut de police du Québec
Institut de recherche et d'information sur la rémunération
Institut de tourisme et d'hôtellerie du Québec
Institut national de santé publique du Québec
Investissement-Québec
Musée d'art contemporain de Montréal
Musée de la civilisation
Musée du Québec
Office de la sécurité du revenu des chasseurs et piégeurs cris
Office des professions du Québec
Parc technologique du Québec métropolitain
Régie de l'assurance-maladie du Québec
Régie de l'énergie
Régie des installations olympiques and Special Olympic Fund
Sidbec
Société de développement des entreprises culturelles
Société de financement agricole
Société de la Place des Arts de Montréal
Société de télédiffusion du Québec (Télé-Québec)
Société des traversiers du Québec
Société d'habitation du Québec
Société d'investissement Jeunesse
Société du Centre des congrès de Québec
Société du Grand Théâtre de Québec
Société du Palais des congrès de Montréal
Société du parc industriel et portuaire de Bécancour
Société du parc industriel et portuaire Québec-Sud

AGENCIES AND SPECIAL FUNDS WHOSE OWN REPORTING ENTITY IS INCLUDED IN THE GOVERNMENT'S REPORTING ENTITY

AGENCIES (cont'd)

Société immobilière du Québec
Société nationale de l'amiante
Société québécoise d'assainissement des eaux
Société québécoise de récupération et de recyclage
Société québécoise d'information juridique

SPECIAL FUNDS

Assistance Fund for Independent Community Action
Assistance Fund for Victims of Crime
Civil Status Fund
Collection Fund
Departure Incentive Management Fund
Financial Assistance Fund for Certain Disaster Areas
Financing Fund
Regional Development Fund
Rolling Stock Management Fund
Forestry Fund
Fund of the Bureau de la statistique du Québec
Fund to Combat Poverty through Reintegration into the Labour Market
Fund for the Contributions of Motorists to Public Transit
Fund for the Management of Québec Immovables on Foreign Soil
Fund for the Sale of Goods and Services of the Ministère des Ressources naturelles
Government Information Fund
Government Services Fund
Health Services Fund
Horse-Racing Industry Fund
Ice Storm Fund
Information Technology Fund of the Conseil du trésor
Information Technology Fund of the Ministère de l'Emploi et de la Solidarité
Information Technology Fund of the Ministère des Finances
Information Technology Fund of the Ministère du Revenu
Labour Market Development Fund
Land and Geographic Information Fund
Police Services Fund
Prescription Drug Insurance Fund
Québec Cadastre Reform Fund
Register Fund of the Ministère de la Justice
Road Network Preservation and Improvement Fund
Sinking Fund relating to Borrowings by General and Vocational Colleges in Québec
Sinking Fund relating to Borrowings by Québec School Boards
Sinking Fund relating to Borrowings by Québec University Establishments
Sinking Fund relating to Borrowings by Québec Health and Social Services Agencies
Special Local Activities Financing Fund
Support Payments Fund *
Tourism Partnership Fund

* This fund also conducts transactions of a fiduciary nature that are not included in the Government's reporting entity.

ENTERPRISES INCLUDED IN THE GOVERNMENT'S REPORTING ENTITY

Centre de recherche industrielle du Québec

Commission de la santé et de la sécurité du travail

Corporation d'hébergement du Québec **

Financing Fund **

Fonds d'indemnisation du courtage immobilier

Hydro-Québec *

Loto-Québec

Régie de l'assurance-dépôts du Québec

Société de développement de la Baie James (SDBJ)

Société de l'assurance automobile du Québec

Société des alcools du Québec

Société des établissements de plein air du Québec

Société d'habitation du Québec **

Société générale de financement du Québec

Société Innovatech du Grand Montréal

Société Innovatech du Sud du Québec

Société Innovatech Québec et Chaudière - Appalaches

Société Innovatech Régions ressources

* This enterprise also conducts transactions of a fiduciary nature that are not included in the Government's reporting entity.

** These entities are undergoing financial and administrative restructuring.

APPENDIX 4

AGENCIES AND SPECIAL FUNDS WHICH CONDUCT TRANSACTIONS OF A FIDUCIARY NATURE THAT ARE NOT INCLUDED IN THE GOVERNMENT'S REPORTING ENTITY

Caisse de dépôt et placement du Québec

Comité centraide – public sector

Commission administrative des régimes de retraite et d'assurances

Commission de la construction du Québec

Curateur public (Le)

Guarantee Insurance Fund administered by the Régie des marchés agricoles et alimentaires du Québec

Fonds central pour le bénéfice des personnes incarcérées

Fonds d'assurance-récolte

Fonds d'assurance-stabilisation des revenus agricoles

Fonds de contrat à terme

Fonds du régime tripartite d'assurance revenu brut à l'égard des récoltes

Fonds d'indemnisation en assurance de dommages

Fonds d'indemnisation en assurance de personnes

Fonds national de formation de la main-d'oeuvre

Hydro-Québec - Caisse de retraite

Régie des rentes du Québec

Support Payments Fund (fiduciary section)

Travel Agents' Security Funds

Trust Funds

BREAKDOWN OF REVENUE

FISCAL YEAR ENDED MARCH 31, 1999
(in millions of dollars)

	1999	1998 (Notes 2 and 14)
Income and property taxes		
Personal income tax	15 250	14 420
Contributions to the Health Services Fund	4 260	3 966
Corporate taxes	3 464	3 505
	22 974	**21 891**
Consumption taxes		
Sales	6 444	5 505
Fuel	1 604	1 532
Tobacco	523	371
Pari-mutuel	14	13
	8 585	**7 421**
Duties and permits		
Motor vehicles	724	700
Alcoholic beverages	135	129
Natural resources	257	396
Other	246	222
	1 362	**1 447**
Miscellaneous		
Sales of goods and services	1 644	1 452
Interest	411	339
Fines, forfeitures and recoveries	344	400
	2 399	**2 191**
Revenue from Government enterprises		
Commission de la santé et de la sécurité du travail	631	511
Société des alcools du Québec	408	378
Loto-Québec	1 167	1 068
Hydro-Québec	754	636
Other	171	141
	3 131	**2 734**
Total own-source revenue	**38 451**	**35 684**
Government of Canada transfers		
Equalization	5 385	4 229
Canada Health and Social Transfer	1 697	1 660
Other transfers related to fiscal arrangements	60	26
Other programs	948	74
Total Government of Canada transfers	**8 090**	**5 989**
Total revenue	**46 541**	**41 673**

BREAKDOWN OF EXPENDITURE

FISCAL YEAR ENDED MARCH 31, 1999
(in millions of dollars)

	1999	1998 (Notes 2 and 14)
BY SUPERCATEGORY AND CATEGORY		
Transfer		
Remuneration	16 875	15 711
Operating	3 000	2 852
Capital	1 048	948
Interest	1 453	1 449
Support	10 117	8 885
	32 493	**29 845**
Remuneration	3 307	3 036
Operating	2 016	1 794
Depreciation of fixed assets	664	593
Doubtful accounts and other allowances	748	1 219
Sub-total	**39 228**	**36 487**
Debt service	7 187	7 343
Total expenditure	**46 415**	**43 830**

BANK OVERDRAFT
AS AT MARCH 31, 1999
(in millions of dollars)

	1999	1998
Outstanding cheques	608	482
Short-term borrowings[1]	1 541	653
	2 149	**1 135**
Cash in bank	204	193
Cash and notes on hand and outstanding deposits	328	205
	532	**398**
	1 617	**737**

(1) Breakdown of short-term borrowings

	1999	1998
Banker's acceptances	184	224
U.S. commercial paper	1 242	187
Notes at par	110	227
Line of credit	5	15
	1 541	**653**

Short-term borrowings mature at various dates until 2000 and bear interest at rates of 4.75% to 5.15%.

ACCOUNTS PAYABLE AND ACCRUED EXPENSES
AS AT MARCH 31, 1999
(in millions of dollars)

		1999		1998 (Note 14)
Remuneration		302		233
Suppliers		1 414		1 144
Advances from trust funds		249		87
Clearing account for collected taxes:				
Municipal taxation	382		375	
Other	114	496	97	472
Specific purpose accounts[1]		32		5
Transfers to:				
School boards and educational institutions	924		706	
Health and social services institutions	431		798	
Municipalities and municipal bodies	134		62	
Other	1 429	2 918	803	2 369
Accrued interest on borrowings		1 573		1 550
Sick leave and annual leave[2]		806		748
Allowance for losses on guaranteed financial initiatives[2]		883		791
Survivor's pension plan[2]		314		304
		8 987		**7 703**

(1) Summary of specific purpose accounts (see table on next page).
(2) Includes mainly amounts payable over the long-term.

ACCOUNTS PAYABLE AND ACCRUED EXPENSES (cont'd)
AS AT MARCH 31, 1999
(in millions of dollars)

(1) Summary of specific purpose accounts:

			Receipts and other credits			
	Balance as at March 31, 1998	Payments and other debits	Government of Canada transfers - Other programs	Sales of goods and services	Surplus for the year	Balance as at March 31, 1999
SALES OF GOODS AND SERVICES						
Account for training, partnership and the organization of special events	1	5		4	(1)	
Account for administering the Goods and Services Tax		100		100		
Account for financing certain activities in the farming and fisheries sectors		4		5	1	1
Account for financing the horse-racing industry recovery plan		5		9	4	4
Other	3	6		11	5	8
GOVERNMENT OF CANADA TRANSFERS						
Account for administering the Firearms Act		6	6			
Account for minority language education and second-language instruction		4	6		2	2
Account for financing the Waskaganish Cree community access road		8	24		16	16
Account for financing improvement work on the municipal road system in Québec's Outaouais region		4	4			
Account for the literacy program		5	5			
Account for the Canada-Québec strategic road improvement program		15	15			
Account for infrastructure work		42	42			
Ice storm account		91	91			
Other	1	6	6			1
			199	129		
	5	301		328	27	32

BORROWINGS
AS AT MARCH 31, 1999
(in millions of dollars)

Summary by type of currency and borrowing	1999 In millions of monetary units	1999 Total in Canadian equivalent	1999 Weighted average interest rate %	1998 In millions of monetary units	1998 Total in Canadian equivalent	1998 Weighted average interest rate %
IN CANADIAN DOLLARS						
Treasury bills	1 972	1 972		2 309	2 309	
Savings products	2 500	2 500		1 980	1 980	
Bonds and notes	21 869	21 869		20 870	20 870	
Medium-term notes on the Canadian market	2 263	2 263		1 579	1 579	
Medium-term notes on the U.S. market	65	65		15	15	
Medium-term notes on the European market	30	30		30	30	
Commitments under capital leases	246	246		272	272	
Currency swap contracts	14 955	14 955		10 056	10 056	
	43 900 C$	**43 900**	**7.01 %**	**37 111** C$	**37 111**	**7.85 %**
IN U.S. DOLLARS						
Treasury notes				307	435	
Bonds and notes	8 861	13 373		8 162	11 563	
Medium-term notes on the Canadian market	13	20		13	19	
Medium-term notes on the U.S. market	1 008	1 522		926	1 312	
Medium-term notes on the European market	1 311	1 980		1 311	1 858	
Currency swap contracts	(5 465)	(8 248)		(2 708)	(3 834)	
	5 728 U.S.$	**8 647**	**7.70 %**	**8 011** U.S.$	**11 353**	**7.86 %**
IN JAPANESE YEN						
Bonds and notes	279 179	3 560		342 305	3 639	
Medium-term notes on the U.S. market	3 391	43		3 390	36	
Medium-term notes on the European market	419 420	5 347		471 531	5 012	
Currency swap contracts	(190 533)	(2 429)		(331 584)	(3 509)	
	511 457 ¥	**6 521**	**4.56 %**	**485 642** ¥	**5 178**	**5.51 %**
IN SWISS FRANCS						
Bonds and notes	714	730		916	852	
Currency swap contracts	1 808	1 848		1 910	1 774	
	2 522 Sfr	**2 578**	**2.16 %**	**2 826** Sfr	**2 626**	**3.00 %**
IN DEUTSCHE MARKS						
Bonds and notes	3 882	3 238		2 687	2 058	
Medium-term notes on the European market	477	398		495	379	
Currency swap contracts	(2 973)	(2 480)		(1 482)	(1 135)	
	1 386 DM	**1 156**	**6.37 %**	**1 700** DM	**1 302**	**5.07 %**
AMOUNTS CARRIED FORWARD		**62 802**			**57 570**	

N.B.: Weighted average interest rates for 1998 have been adjusted to take interest rate swap contracts into account.

BORROWINGS (cont'd)
AS AT MARCH 31, 1999
(in millions of dollars)

Summary by type of currency and borrowing	1999 In millions of monetary units	1999 Total in Canadian equivalent	1999 Weighted average interest rate %	1998 In millions of monetary units	1998 Total in Canadian equivalent	1998 Weighted average interest rate %
AMOUNTS BROUGHT FORWARD		**62 802**			**57 570**	
IN FRENCH FRANCS						
Bonds and notes	7 806	1 941		7 805	1 784	
Medium-term notes on the European market	4 794	1 192		4 794	1 096	
Currency swap contracts	(9 702)	(2 413)		(8 412)	(1 923)	
	2 898 Ffr	**720**	**7.70 %**	**4 187** Ffr	**957**	**7.00 %**
IN POUNDS STERLING						
Bonds and notes	198	483		198	469	
	198 £	**483**	**9.53 %**	**198** £	**469**	**9.39 %**
IN DUTCH GUILDERS						
Bonds and notes	350	259		351	238	
Currency swap contracts	(350)	(259)		(351)	(238)	
	DFl			DFl		
IN AUSTRALIAN DOLLARS						
Bonds and notes	286	274		366	362	
Currency swap contracts	(286)	(274)		(366)	(362)	
	A$			A$		
IN LUXEMBOURG FRANCS						
Bonds and notes	2 048	83		2 055	76	
Currency swap contracts	(2 048)	(83)		(2 055)	(76)	
	Lfr			Lfr		
IN SWEDISH KRONOR						
Bonds and notes	509	94				
Currency swap contracts	(509)	(94)				
	Skr					
IN EURO						
Bonds and notes	51	83				
Medium-term notes on the European market	22	36				
Currency swap contracts	(190)	(309)				
	(117) €	**(190)**	**-2.20 %**			
IN SPANISH PESETAS						
Bonds and notes	10 059	99		10 074	91	
Currency swap contracts	(10 059)	(99)		(10 074)	(91)	
	SPP			SPP		
		63 815	**6.69 %**		58 996	**7.36 %**
Less:						
Sinking Fund		1 840			1 702	
		61 975			**57 294**	

N.B.: Weighted average interest rates for 1998 have been adjusted to take interest rate swap contracts into account.

BORROWINGS (cont'd)
AS AT MARCH 31, 1999
(in millions of dollars)

SINKING FUND
FUND BALANCE
AS AT MARCH 31, 1999

	1999	1998
Opening balance	1 712	1 452
Plus:		
Payment from the Consolidated Revenue Fund	113	107
Net revenue	110	181
Gains on interest rate swap contracts	7	26
	1 942	1 766
Less:		
Funds used to repay specific borrowings	90	54
Closing balance	1 852 (1)	1 712 (1)

(1) Includes $12 million ($10 million in 1998) from the Sinking Fund Relating to Government Borrowings contracted to finance the health and social services and education networks and Government enterprises.

SINKING FUND
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 1999

	1999	1998 (Note 14)
Investments		
Treasury bills	83	223
Deposit certificates	141	244
Loans on securities		39
Bonds	1 645	1 142
Borrowings by the Gouvernement du Québec	29	26
	1 898	1 674
Other assets		
Cash on hand	9	1
Accounts receivable and accrued interest	39	43
Deferred losses on forward exchange contracts	6	4
	54	48
Liabilities		
Unrealized foreign exchange gain	8	10
Amounts on deposit - Securities loans	92	
	100	10
Fund balance	1 852 (1)	1 712 (1)

(1) Includes $12 million ($10 million in 1998) from the Sinking Fund Relating to Government Borrowings contracted to finance the health and social services and education networks and Government enterprises.

BORROWINGS (cont'd)
AS AT MARCH 31, 1999
(in millions of dollars)

SINKING FUND
SOURCE AND APPLICATION OF FUNDS
AS AT MARCH 31, 1999

	1999	1998
Source of funds		
Funds received from the Consolidated Revenue Fund, net revenue and revenue - Sinking Fund Relating to Granted Borrowings	228	309
	228	**309**
Increase in accrued interest on investments	15	
Increase (decrease) in deferred losses on forward exchange contracts	2	(16)
	245	**293**
Application of funds		
Purchase of bonds and notes	147 [1]	258
Funds used to repay specific borrowings	90	54
	237	**312**
Increase (decrease) in bank balance	8	(19)
	245	**293**

[1] Taking into account $105 373 million worth of securities matured or sold in 1999 ($87 514 million in 1998).

BORROWINGS TO FINANCE THE HEALTH AND SOCIAL SERVICES AND EDUCATION NETWORKS AND GOVERNMENT ENTERPRISES[1]

AS AT MARCH 31, 1999

(in millions of dollars)

Summary by type of currency and borrowing	1999 In millions of monetary units		1999 Total in Canadian equivalent	1999 Weighted average interest rate %	1998 In millions of monetary units		1998 Total in Canadian equivalent	1998 Weighted average interest rate %
IN CANADIAN DOLLARS								
Treasury bills	883		883		662		662	
Bonds and notes	3 973		3 973		3 256		3 256	
Medium-term notes on the Canadian market	104		104		109		109	
Medium-term notes on the U.S. market	17		17		67		67	
Currency swap contracts	750		750		602		602	
	5 727	C$	**5 727**	**6.89 %**	**4 696**	C$	**4 696**	**6.34 %**
IN U.S. DOLLARS								
Treasury notes					1		1	
Bonds and notes	3		4		3		4	
Medium-term notes on the U.S. market	255		385		273		386	
Medium-term notes on the European market	79		119		70		99	
Currency swap contracts	(337)		(508)		(261)		(370)	
		U.S.$			**86**	U.S.$	**120**	**5.78 %**
IN JAPANESE YEN								
Bonds and notes	5 000		64		5 000		53	
Medium-term notes on the European market	3 518		45		3 509		37	
Currency swap contracts	(8 518)		(109)		(6 490)		(69)	
		¥			**2 019**	¥	**21**	**2.25 %**
			5 727	**6.89 %**			**4 837**	**6.31 %**
Less:								
Sinking Fund			12				10	
			5 715				**4 827**	

[1] Advances to the health and social services and education networks and Government enterprises are granted on the same conditions as these borrowings.

BORROWINGS TO FINANCE THE WORK OF MUNICIPAL BODIES
AS AT MARCH 31, 1999
(in millions of dollars)

Summary by type of currency and borrowing	1999 In millions of monetary units	1999 Total in Canadian equivalent	1999 Weighted average interest rate %	1998 In millions of monetary units	1998 Total in Canadian equivalent	1998 Weighted average interest rate %
IN CANADIAN DOLLARS						
Treasury bills	114	114				
Bonds and notes	1 982	1 982		1 932	1 932	
Currency swap contracts	1 186	1 186		1 244	1 244	
	3 282 C$	**3 282**	**8.93 %**	**3 176** C$	**3 176**	**9.08 %**
IN U.S. DOLLARS						
Bonds and notes	122	183		172	243	
Medium-term notes on the U.S. market	100	151		100	142	
Currency swap contracts	(222)	(334)		(272)	(385)	
	U.S.$			U.S.$		
IN JAPANESE YEN						
Bonds and notes	12 000	153		12 000	128	
Currency swap contracts	(12 000)	(153)		(12 000)	(128)	
	¥			¥		
IN SWISS FRANCS						
Bonds and notes	125	128		125	116	
Currency swap conracts	(125)	(128)		(125)	(116)	
	Sfr			Sfr		
IN DEUTSCHE MARKS						
Bonds and notes	411	343		411	315	
Medium-term notes on the European market	99	83		99	76	
Currency swap contracts	(510)	(426)		(510)	(391)	
	DM			DM		
IN LUXEMBOURG FRANCS						
Bonds and notes	4 000	162		4 000	149	
Currency swap contracts	(4 000)	(162)		(4 000)	(149)	
	Lfr			Lfr		
		3 282	**8.93 %**		**3 176**	**9.08 %**

SHORT-TERM INVESTMENTS
AS AT MARCH 31, 1999
(in millions of dollars)

	1999	1998 (Note 14)
Treasury bills	532	1
Deposit certificates	493	30
Banker's acceptances	1 276	32
Notes	601	
Other	28	7
	2 930	**70**

The return on short-term investments ranges from 4.83% to 5.50% and such investments mature at various dates until 2000.

ACCOUNTS RECEIVABLE
AS AT MARCH 31, 1999
(in millions of dollars)

	1999	1998
Accounts receivable		
Income and property taxes [1]	2 334	2 213
Consumption taxes [1]	1 483	1 208
Duties and permits [1]	116	142
Miscellaneous revenue	1 244	1 511
Revenue from Government enterprises	613	411
Government of Canada transfers	840	660
Specific purpose accounts:		
Sales of goods and services	18	16
Government of Canada transfers	64	104
Expenditure and other	453	301
	7 165	**6 566**
Less: Allowance for doubtful accounts	**1 079**	**911**
Plus: Accrued interest on investments	**17**	**11**
	6 103	**5 666**

[1] Including, for agents and assignees, $671 million for income and property taxes ($596 million in 1998), $1 032 million for consumption taxes ($860 million in 1998) and $94 million for duties and permits ($94 million in 1998).

INVESTMENT IN GOVERNMENT ENTERPRISES
AS AT MARCH 31, 1999
(in millions of dollars)

INVESTMENT IN GOVERNMENT ENTERPRISES

			1999	1998
	Loans and advances	Equity value	Investment in Government enterprises	Investment in Government enterprises (Note 14)
Centre de recherche industrielle du Québec		25	25	13
Commission de la santé et de la sécurité du travail[1]		(1 201)	(1 201)	(1 832)
Corporation d'hébergement du Québec		336	336	300
Financing Fund		10	10	13
Fonds d'indemnisation du courtage immobilier[2]		3	3	3
Hydro-Québec[1]	7	13 619	13 626	13 151
Loto-Québec		94	94	90
Régie de l'assurance-dépôts du Québec[2]		162	162	139
Société de développement de la Baie James[1]		3	3	3
Société de l'assurance automobile du Québec[1]		441	441	402
Société des alcools du Québec		46	46	45
Société des établissements de plein air du Québec	15	23	38	33
Société d'habitation du Québec[2]		14	14	13
Société générale de financement du Québec[1]	14	1 251	1 265	1 163 [3]
Société Innovatech du Grand Montréal		199	199	156
Société Innovatech du Sud du Québec		13	13	9
Société Innovatech Québec et Chaudière - Appalaches		42	42	35
Total	**36**	**15 080**	**15 116**	**13 736**

(1) Equity value was determined on the basis of audited financial statements as at December 31, 1998, and adjusted according to unaudited interim results as at March 31, 1999.

(2) Equity value was determined on the basis of audited financial statements as at December 31, 1998.

(3) Including investments in the Société de récupération, d'exploitation et de développement forestiers du Québec (REXFOR), the Société québécoise d'exploration minière (SOQUEM), the Société québécoise d'initiatives agro-alimentaires (SOQUIA) and the Société québécoise d'initiatives pétrolières (SOQUIP).

MATURITY OF LOANS AND ADVANCES

Loans and advances of $36 million to Government enterprises mature in 1999-2000, except for an amount of $7 million that has no fixed maturity date.

INVESTMENT IN GOVERNMENT ENTERPRISES (cont'd)

AS AT MARCH 31, 1999
(in millions of dollars)

SUMMARY OF THE FINANCIAL STATEMENTS OF GOVERNMENT ENTERPRISES

						1999	1998
	Revenue	Expenditure	Net income or (net loss)	Liabilities	Assets	Net equity	Net equity
Centre de recherche industrielle du Québec	29	37	(8)	18	43	25	13
Commission de la santé et de la sécurité du travail [1]	2 407	1 763	644	8 176	6 999	(1 177)	(1 821)
Corporation d'hébergement du Québec	234	233	1	4 189	4 525	336	300
Financing Fund	228	224	4	3 343	3 353	10	13
Fonds d'indemnisation du courtage immobilier [1]					3	3	3
Hydro-Québec [2]	9 089	8 329	760	44 044	57 831	13 787 [3]	13 306
Loto-Québec	3 130	1 928	1 202	463	557	94	90
Régie de l'assurance-dépôts du Québec [1]	24	1	23	1	163	162	139
Société de développement de la Baie-James [2]	21	21		6	9	3	3
Société de l'assurance automobile du Québec [2]	1 205	1 166	39	5 099	5 540	441	402
Société des alcools du Québec	1 256	848	408	264	310	46	45
Société des établissements de plein air du Québec	44	37	7	56	53	(3) [4]	(10)
Société d'habitation du Québec [1]	235	234	1	2 473	2 487	14	13
Société générale de financement du Québec [2]	866	791	75	513	1 764	1 251 [5]	1 149 [5]
Société Innovatech du Sud du Québec	1	1			13	13	5
Amounts carried forward	**18 769**	**15 613**	**3 156**	**68 645**	**83 650**	**15 005**	**13 650**

INVESTMENT IN GOVERNMENT ENTERPRISES (cont'd)

AS AT MARCH 31, 1999
(in millions of dollars)

SUMMARY OF THE FINANCIAL STATEMENTS OF GOVERNMENT ENTERPRISES (cont'd)

						1999	1998
	Revenue	Expenditure	Net income or (net loss)	Liabilities	Assets	Net equity	Net equity
Amounts brought forward	**18 769**	**15 613**	**3 156**	**68 645**	**83 650**	**15 005**	**13 650**
Société Innovatech du Grand Montréal	21	17	4	1	200	199	94
Société Innovatech Québec et Chaudière-Appalaches	2	5	(3)	1	43	42	15
TOTAL	**18 792**	**15 635**	**3 157**	**68 647**	**83 893**	**15 246**	**13 759**

(1) These results were derived from audited financial statements as at December 31, 1998. The net assets of the Commission de la santé et de la sécurité du travail (CSST), including assessments collected from employers, may not be used for purposes other than those relating to its mandates.

(2) These results were derived from audited financial statements as at December 31, 1998, and adjusted according to unaudited interim results as at March 31, 1999.

(3) Excluding $149 million representing loan guarantee fees for the 1999 calendar year recorded as Government revenue during fiscal 1998-1999 and $19 million representing an unrealized gain during related party transactions.

(4) Including $9 million for the loss applied against assets relating to activities abandoned in 1994 and excluding an increase of $30 million in the investment corresponding to the Government's recognition of an account payable for the reimbursement of an advance granted by the Minister of Regions and for the reimbursement of liabilities relating to these abandoned activities.

(5) Including investments in the Société de récupération, d'exploitation et de développement forestiers du Québec (REXFOR), the Société québécoise d'exploration minière (SOQUEM), the Société québécoise d'initiatives agro-alimentaires (SOQUIA) and the Société québécoise d'initiatives pétrolières (SOQUIP).

INVESTMENT IN GOVERNMENT ENTERPRISES (cont'd)
AS AT MARCH 31, 1999

COMMITMENTS OF GOVERNMENT ENTERPRISES

Commission de la santé et de la sécurité du travail

In 1995, the Commission signed a framework agreement with the consortium formed by the National Bank, Desjardins and Bell Canada for the purpose of acquiring electronic business products and services. In addition to enabling the Commission to improve its client services, this agreement will have an economic and technological impact by fostering the development of Québec's expertise in electronic business and the creation of French-language products exportable over the medium term throughout the French-speaking world.

Under this agreement and the specific or private contracts that will stem from it, the Commission has authorized a financial commitment of $50 million over seven and a half years. As at December 31, 1997, this amount had been allocated, out of the operating surplus for the current 1997 fiscal year and according to an interest-free amortization mechanism, to the financing of expenditures incurred in coming fiscal years for the use of electronic business products and services.

In 1998, a specific contract for $39 million, expiring in 2003, was signed for the introduction and use of electronic business products and services that had been developed previously. The balance of the commitment relating to this contract was $34 million as at December 31, 1998.

Hydro-Québec

Hydro-Québec has provided for a capital investment of $2 127 million for 1999.

Loto-Québec

The Government has authorized Loto-Québec, through one of its subsidiaries, to replace its lottery game terminals for a total amount not exceeding $78 million, of which $17 million ($8 million in 1998) was entered as at March 31, 1999. At that date, the contractual commitments related to this project totalled $59 million ($66 million in 1998).

CONTINGENCIES OF GOVERNMENT ENTERPRISES

Commission de la santé et de la sécurité du travail

On May 26, 1988, the Supreme Court of Canada ruled that the Act respecting occupational health and safety was not applicable to businesses under federal jurisdiction. Following this ruling, the Commission reimbursed these employers for assessments that were wrongfully paid, including interest of 5% per year.

However, lawsuits were filed in Québec Superior Court by several out-of-province transportation firms which consider themselves to be under federal jurisdiction. They are claiming full reimbursement of the assessments paid to the Commission for the period 1981-1988, inclusively, rather than just the portion of assessments applicable under the Act respecting occupational health and safety. These firms are also claiming interest on their eventual refunds at the rate set under section 28 of the Act respecting the Ministère du Revenu, rather than the 5% rate determined by the Commission. These lawsuits total approximately $46 million not including the claim for interest.

The Commission is unable to predict the outcome of these lawsuits. Any payment that may result from these claims will be recorded as operations in the fiscal year in which it occurs.

INVESTMENT IN GOVERNMENT ENTREPRISES (cont'd)
AS AT MARCH 31, 1999

SUBSEQUENT EVENT

Financial and administrative restructuring

The Act respecting Financement-Québec (S.Q., 1999, c.11) was assented to by the National Assembly on June 16, 1999, while the Act respecting the Corporation d'hébergement du Québec (S.Q., 1999, c.34) and the Act respecting Immobilière SHQ (S.Q., 1999, c.16) were assented to on June 19, 1999.

These Acts give effect to the reform of Government accounting policies announced in the Budget Speech of March 31, 1998 and establish the corporations Financement-Québec, Corporation d'hébergement du Québec and Immobilière SHQ, which are recognized as Government enterprises.

The Act respecting Financement-Québec and the Act respecting Immobilière SHQ came into effect on October 1, 1999 and December 15, 1999 respectively. As for the Act respecting the Corporation d'hébergement du Québec, it will come into effect over a period extending from December 1, 1999 to April 1, 2000.

LONG-TERM INVESTMENTS
AS AT MARCH 31, 1999
(in millions of dollars)

GOVERNMENT INVESTMENTS

	1999				1998
	Shares and capital investments	Bonds and notes	Loans and advances	Total	Total
Municipalities and municipal bodies:					
Municipalities			20	20	22
Municipal bodies			4	4	5
			24	24	27
Individuals, enterprises and other					
Students			460	460	404
Enterprises	175		1 010	1 185	1 263
Survivor's pension plan			317	317	292
Other		65	283	348	294
	175	65	2 070	2 310	2 253
Allowance for doubtful accounts			581	581	549
	175	65	1 489	1 729	1 704
	175	65	1 513	1 753	1 731

Note: Loans and advances to municipalities and municipal bodies bear interest at rates of 6.3% to 10.0%.
Loans and advances to students bear interest at rates of 6.25% to 14.9%.
Loans to enterprises usually bear interest at the bank prime rate plus 1.5%.
The loan on the survivor's pension plan bears interest at a rate of 8.26% while all other loans bear interest at rates of 2.5% to 11.0%.

MATURITY OF INVESTMENTS

	1999	
2000	368	
2001	246	
2002	143	
2003	97	
2004	116	
	970	
2005-2009	379	
2010-2014	27	
2015-2019	123	
2020-2024		
2025 and thereafter	1	
	1 500	
No fixed maturity date	243	
	1 743	(1)

(1) Excluding $10 million in equity investments.

OTHER ACCOUNTS
AS AT MARCH 31, 1999
(in millions of dollars)

	1999	1998 (Note 2)
Deferred expenses	260	80
Unrealized foreign exchange loss (gain)	1 838	(150)
	2 098	**(70)**

COMMITMENTS AND CONTINGENCIES

AS AT MARCH 31, 1999
(in millions of dollars)

COMMITMENTS

	1999	1998
TRANSFERS		
For repayment of the principal on borrowings for capital expenditures:		
School boards and educational institutions	6 289	6 250
Health and social services institutions	3 640	3 392
Municipalities and municipal bodies	2 856	2 750
Other beneficiaries	249	227
	13 034	**12 619**
For other capital expenditures:		
School boards and educational institutions	2 066	1 631
Health and social services institutions	1 583	1 530
Municipalities and municipal bodies	1 138	1 266
Other beneficiaries	355	176
	5 142	**4 603**
	18 176	**17 222**
OTHER	45	45
	18 221 *	**17 267** *

* Commitments in foreign currency are shown at their Canadian equivalent at the exchange rates in effect on March 31 and take currency swap contracts into account.

COMMITMENTS AND CONTINGENCIES (cont'd)

AS AT MARCH 31, 1999
(in millions of dollars)

SUMMARY SCHEDULE OF TRANSFER COMMITMENTS FOR REPAYMENT OF THE PRINCIPAL ON BORROWINGS FOR CAPITAL EXPENDITURES

Maturity	School boards	General and vocational colleges	Universities	Health and social services institutions	Municipalities and municipal bodies	Other beneficiaries	Total
2000	791	151	285	568	284	34	2 113
2001	392	204	329	434	340	29	1 728
2002	646	164	216	371	258	83	1 738
2003	556	142	299	612	255	33	1 897
2004	251	116	101	637	258	34	1 397
	2 636	777	1 230	2 622	1 395	213	8 873
2005-2009	664	282	433	729	727	31	2 866
2010-2014	164	43	9	205	284	5	710
2015-2019	28	9	3	41	240		321
2020-2024	2	4	1	16	104		127
2025-2029		3		18	68		89
2030-2034		1		9	33		43
2035-2039					5		5
	3 494	**1 119**	**1 676**	**3 640**	**2 856**	**249**	**13 034**

Note: This schedule was drawn up according to the dates shown on the bonds or notes at the balance sheet date. Any refinancing after that date will affect the above schedule.

COMMITMENTS AND CONTINGENCIES (cont'd)

AS AT MARCH 31, 1999
(in millions of dollars)

GUARANTEED FINANCIAL INITIATIVES

	1999	1998 (adjusted)
LOAN GUARANTEES		
Government agencies and enterprises		
Hydro-Québec	39 128	38 598
Investissement-Québec	663	593
Société d'habitation du Québec	242	282
Other	57	61
	40 090 [1-2]	**39 534** [1-2]
Individuals and corporations		
Loans to students	3 256	3 219
Loans to fishermen	42	48
Loans to workers	28	34
Loans to farm producers	3 096	2 837
Loans to industry	58	66
	6 480	**6 204**
Total loan guarantees	**46 570**	**45 738**
Less:		
Allowance for losses on guaranteed financial initiatives	883	791
NET GUARANTEED FINANCIAL INITIATIVES	**45 687**	**44 947**

(1) Loan guarantees in foreign currency are shown at their Canadian equivalent at the exchange rates in effect on March 31.
(2) Principal on borrowings.

SUMMARY OF TRANSACTIONS OF A FIDUCIARY NATURE CONDUCTED BY GOVERNMENT AGENCIES AND FUNDS

AS AT MARCH 31, 1999
(in millions of dollars)

	1999				1998
	Liabilities	Assets	Increase (decrease) in accrued equity	Net equity	Net equity (adjusted)
Caisse de dépôt et placement du Québec[1]	14 759	83 327	4 957	68 568	63 611
Comité centraide - public sector[3]	6	6			
Commission administrative des régimes de retraite et d'assurances:					
RREGOP	N/D	N/D	N/D	N/D	55 097 [4]
TPP and PPCT	N/D	N/D	N/D	N/D	14 523 [4]
CSSP	N/D	N/D	N/D	N/D	5 487 [4]
SPMSQ	N/D	N/D	N/D	N/D	2 150 [4]
PPMNA	N/D	N/D	N/D	N/D	288 [4]
PPPOCS	N/D	N/D	N/D	N/D	494 [4]
PPFETQ	N/D	N/D	N/D	N/D	103 [4]
Supplementary benefits plans	N/D	N/D	N/D	N/D	53 [4]
Commission de la construction du Québec[1]					
General Fund	14	17	1	3	2
Supplemental pension plan - general account	35	3 123	50	3 088	3 038
Supplemental pension plan - pensioners' account	1	2 683	354	2 682	2 328
Other	221	1 271	148	1 050	902
Curateur public (Le)[1]	59	235	(12)	176	188
Guarantee Insurance Fund administered by the Régie des marchés agricoles et alimentaires du Québec[2]		3		3	3
Fonds central pour le bénéfice des personnes incarcérées[1]		2		2	2
Fonds d'assurance-récolte et Fonds d'assurance-stabilisation des revenus agricoles[2]	288	172	(182)	(116)	66
Fonds de contrat à terme[2]	7	7	2		(2)
Travel Agents' Security Funds[2]	8	5		(3)	(3)
Support Payments Fund[2]	219	219			
Fonds du régime tripartite d'assurance revenu brut à l'égard des récoltes[2]		21	1	21	20
Fonds d'indemnisation en assurance de dommages		1	1	1	
Trust Funds[2]	425	425			
Fonds national de formation de la main-d'œuvre	2	45	24	43	19
Hydro-Québec - Caisse de retraite[1]	7	8 258	433	8 251	7 818
Régie des rentes du Québec[2]					
Fonds du régime de rentes du Québec	119	16 273	(461)	16 154	16 615
Other	12	14	1	2	1
	16 182	116 107	5 317	99 925	172 803
Less: Funds entrusted to the Caisse de dépôt et placement du Québec		22 895	(229)	22 895	23 124
	16 182	93 212	5 546	77 030	149 679

N/A = Financial data not available when the consolidated financial statements were prepared.

[1] Financial statements as at December 31, 1998.
[2] Financial statements as at March 31, 1999.
[3] Financial statements as at January 31, 1999.
[4] Financial statements as at December 31, 1997.

Note: The Fonds d'indemnisation en assurance de personnes is not shown since the related amount is less than $1 millions.